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Why French merger will not work
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World News

Bush plans freeze on new federal regulations

President George Bush plans a three-month freeze on new federal regulations and a review of existing rules as part of an economic recovery programme to be unveiled in his State of the Union address. His action follows business complaints at the growth of federal regulation during his presidency. Page 12; US anger at "lazy" jibe, Page 3

UN acts over Libya
The United Nations Security Council unanimously called on Libya to surrender for trial two intelligence agents accused of blowing up a PanAm aircraft over Lockerbie, Scotland, in 1988 and to co-operate in the investigation of the 1989 bombing of a French airliner. Earlier report, Page 3

Israel boosts troops
Israel is sending more troops to the occupied territories of the West Bank and Gaza Strip after pressure from the 100,000 Jewish settlers for more aggressive action against the Palestinian uprising. Page 3

Georgian ceasefire
Supporters of ousted Georgian president Zviad Gamsakhurdia and the new military government agreed to a ceasefire in the republic's civil war. Page 2

Workers end occupation
Militant Hyundai workers ended their week-long occupation of South Korea's largest car plant at Ulsan, averting a clash with thousands of police who were preparing to storm the factory. Page 3

Plan for new Yugoslavia
Serbia has drawn up a draft law for the creation of a new, reduced Yugoslav state following international recognition of Croatia and Slovenia. Page 2

Death penalty rejected
The 12 men charged with conspiracy to seize power in the failed Soviet coup last August will be spared the death sentence, said Russian prosecutor-general Valentin Stepankov. Page 2

Multi-party plan backed
Leaders of Tanzania's ruling Revolutionary Party backed a proposal to introduce a multi-party system which would end 30 years of one-party rule. Page 3

Argentina rebuffed
Britain rebuffed attempts by Argentina to resume normal military ties in the run-up to the 10th anniversary of the Falklands conflict. Page 4

Banker's murder lead
An informer's tip-off has given German police their first breakthrough in the search for the killers of Alfred Herrhausen, chief executive of Deutsche Bank, in 1989. Arrest warrants have been issued for four Red Army Faction terrorists.

Marcos begins campaign
Imelda Marcos, widow of ousted President Ferdinand Marcos, formally announced her candidacy for the Philippine presidency, saying she was determined to heal the country's political wounds. The election is on May 11.

37 killed in Sri Lanka
Twenty Sri Lankan soldiers were killed in an ambush by Tamil separatist guerrillas in the eastern Trincomalee district. In a separate incident, at least 17 people were killed and about 60 injured in an explosion near an armoury at an air force base.

US abortion ruling
The US Supreme Court is to rule on a restrictive new abortion law in Pennsylvania in a case that may determine if its historic 1973 decision giving women the right to an abortion remains legal. A decision is likely in mid-July.

Business Summary

$1.5bn loan package for Algeria in jeopardy

Reluctance by some potential lenders is jeopardising a $1.5bn loan package to Algeria, intended to refinance the country's foreign debt through almost 100 commercial banks.

If the deal fails would it would call into question the government's policy of refinancing Algeria's entire $23.5bn in outstanding foreign debt. It could also endanger new loans recently agreed with international agencies. Page 12

UNITED TECHNOLOGIES, US aerospace and building products group, said it would cut its workforce by almost 14,000 over the next two years, close or consolidate more than 100 plants and take a $1.275bn fourth-quarter pre-tax charge against earnings. Page 13

SOURCE PERRIER, French mineral water company, vowed to fight against the FFr13.42bn ($2.48bn) bid by Nestlé, Swiss food group, and Indosuez, the French bank. Page 16

GERMAN manufacturing investment in Britain fell by almost half in the first six months of 1991 to about £470m ($841m) says the German Chamber of Commerce in Britain. Page 12; Bank workers walk out, Page 2

JAPAN'S trade surplus rose to $78.2bn in 1991, 50 per cent up on 1990. The increase was chiefly the result of a 9.6 per cent rise in exports to $314.6bn. Page 12

AMERICAN Telephone & Telegraph and Cable and Wireless have ended negotiations over a possible global alliance because of political concerns ahead of the UK general election. Page 13

HITACHI, Japanese consumer electronics group, will move the annual production of 70,000 TV projectors from its plant at Anaheim, California, to Tijuana, Mexico, by 1993. Page 4

COCA-COLA Enterprises, leading US bottler of Coca-Cola, expects to report a 1991 loss of $91m as a result of a wide-ranging restructuring. Page 14

FOSTER WHEELER, US-controlled engineering and construction group, has won contracts worth $900m to expand the Sriracha oil refinery in Thailand.

SANSUI Electric, Japanese audio specialist caught up in the collapse of the Polly Peck group, has nearly doubled its estimate of losses for last year from Y18.6bn ($146.4m) to Y36bn. The group has also announced a voluntary redundancy programme aimed at cutting its workforce by one-third. Page 16

MITSUBISHI Motors, Japanese carmaker, moved sharply ahead in a declining domestic vehicle market last year, increasing sales by 6.2 per cent at the expense of Toyota, Nissan, and Mazda. Page 16

WELLS FARGO, California commercial banking group, has been hit by an expected $231m fourth-quarter loss and $700m of bad debt provisions which are expected to wipe out almost all 1991 profits. Page 15

NORTHERN Telecom of Canada boosted 1991 revenues by 21 per cent to US$8.2bn and earnings by 14 per cent to US$514.9m, with the help of the acquisition of STC, UK-based telecommunications group. Page 15

MOBIL, second-biggest US oil and gas group, said it would contest a $1.3bn US government bill for back taxes and would respond with a lawsuit. Page 15

INTERNATIONAL Business Machines, world's largest computer manufacturer, launched a range of powerful systems setting new standards of price and performance. Page 15

Professor defies US legal threat to fight drug

By Paul Abrahams and Daniel Green in London

A RETIRED Scottish professor said yesterday he would continue to warn about the dangers of Halcion, Upjohn's best-selling sleeping drug, in spite of the US company's threat to bring a law-suit against him before the end of the week.

"I shall tell everything," said Dr Ian Oswald, who was head of psychiatry at Edinburgh University in Scotland for seven years before retiring in 1989. His findings were instrumental in the UK authorities' decision to ban Halcion in October last year.

He said he planned to defy Upjohn's threat of legal action and talk next month at a public meeting on Halcion's safety held by the German Ministry of Health.

Dr Oswald claims Halcion's serious adverse side effects were discovered by Upjohn as early as 1972 but were omitted in submissions to the US Food and Drug Administration.

Dr Oswald spent more than 1,000 hours studying confidential Upjohn reports on the drug as an expert witness in a US action against the company. Upjohn settled the suit out of court. It involved a woman, Mrs Ilo Grundberg, who had shot her mother eight times while allegedly under the influence of Halcion. Dr Oswald was paid by Mrs Grundberg's defence lawyers for his role as an expert witness.

Dr Theodore Cooper, Upjohn's chairman and chief executive, said this week that Dr Oswald's claims of fraudulent concealment were false and reckless. He said: "We've been caring for patients now for more than a century, and it's not fair for our employees to continue to be smeared by Oswald or for patients to be frightened and misled by this kind of junk science."

The Committee on Safety of Medicines, the UK government's drug safety watchdog, banned Halcion after Upjohn refused to withdraw the product voluntarily.

French and Spanish authorities subsequently insisted the drug should be sold in 0.125mg pills rather than 0.25mg.

Dr Oswald, however, questions whether the drug is effective in such low doses. An Upjohn submission to the FDA in 1985 said only a 0.5mg dose was effective in treating insomnia in non-geriatric patients. "It's incongruous that the only dose allowed in France and Spain is in doses that are regarded by Upjohn as frequently ineffective," said Dr Oswald.

Although Halcion may not be effective as a sleeping treatment at low doses for most patients, it may nevertheless still be dangerous, according to Dr Oswald. He points out that in 1987, Upjohn told the FDA that adverse psychiatric reactions with Halcion were of uniform frequency whatever the

Continued on Page 16

UK premier sets sights on calling early poll

By Philip Stephens, Political Editor, in London

MR John Major, the British prime minister, has told colleagues he wants to call a general election for April 9 after a tax-cutting Budget early in March.

Senior ministers said last night that Mr Major hoped to use a planned speech to a conference of Conservative party activists on March 14 to launch the election campaign.

As Mr Major clashed with Mr Neil Kinnock, the Labour opposition leader, during another heated exchange in Parliament over the economy, there was clear evidence the civil service was preparing for an early election.

The Conservatives stepped up their attack on Labour's tax and spending plans, claiming that figures showed the opposition's public spending pledges would eventually cost £37bn ($66bn) a year.

The ministers cautioned that an unexpected reversal of Conservative fortunes in the opinion polls could yet force Mr Major to delay calling the election until May 7.

He could hold out until late June.

Mr Norman Lamont, the chancellor of the exchequer, is said to favour May 7 to give more time for the promised economic recovery to materialise. Mr Chris Patten, the party chairman, has also suggested that there are advantages in going to the country on the same day as the local elections.

It is understood, however, that the prime minister's sights are now firmly set on an earlier poll, with tax reductions in the budget designed to form a central plank of the Conservative manifesto. Mr Kenneth Baker, the home secretary, and Mr Douglas Hurd, the foreign secretary, are among cabinet ministers backing that strategy.

The growing consensus among ministers is that Mr Major can no longer rely on a consistent run of opinion polls before calling the election nor on anything more than a promise of economic recovery. In such circumstances, they see little advantage in delay.

After some wrangling between the Treasury and the prime minister's office, Mr Lamont will announce the date of the budget later today. Treasury officials had wanted to delay it until March 17, but the expectation at Westminster is that Mr Major has insisted that it is March 10 or, possibly, March 3.

Either of these two dates would allow time for an April 9 election, though March 10 would mean an extremely tight schedule.

The atmosphere of electioneering now engulfing Whitehall and Westminster was further reinforced by reports that civil servants have stepped up their analysis of Labour's policy proposals in case Mr Kinnock becomes prime minister.

Background, Page 6

A gendarme examines the wreckage of the French Air Inter A320 Airbus which crashed in the Vosges mountains in eastern France on Monday, killing 87 people

Crash rekindles doubts over Airbus controls

By William Dawkins in Paris and Paul Betts in London

THE Airbus A320's computerised controls and the delayed rescue effort were yesterday at the centre of a controversy surrounding the crash of a French airliner near Strasbourg on Monday.

The cause of the crash, which killed 87, is still a mystery, though rescue workers have found the aircraft's two flight recorders, or "black boxes". They were handed to the accident inquiry team, which has been asked by the French government to produce a preliminary report in a month and a final public report a few months later.

Mr Paul Quiles, the French transport minister, warned against drawing premature conclusions about the crash, which occurred when an Air Inter A320 flight from Lyons hit a snowbound mountain ridge in thick fog on its approach to Strasbourg airport.

One of the nine survivors said the crash happened after passengers had been asked to fasten their seatbelts for landing. "There was no warning, no sign of trouble. We simply broke up in trees," he said.

The aircraft appeared to be flying below its normal altitude when it hit the mountainside. The pilot gave no warning and the aircraft's emergency radio beacon did not function. This delayed the search for the wreckage, which took nearly five hours to find.

The crash rekindled controversy over the state-of-the-art computerised control system of the Airbus. Airbus Industrie, the four-nation European consortium which manufactures the A320, argues that the advanced fly-by-wire avionics make the aircraft safer. Critics

Continued on Page 12

Foreign aid sought to stabilise the rouble

By Anthony Robinson, East Europe Editor, in London

RUSSIA faces a disastrous wage-price spiral unless the west helps the government to set up a stabilisation fund as soon as possible, Mr Yegor Gaidar, the country's deputy prime minister and finance minister, warns.

Writing in the Financial Times, Mr Gaidar appeals to finance ministers from the Group of Seven most powerful industrial countries "to give some indication of what might be available and on what conditions" at their meeting in Long Island at the weekend.

A Russian stabilisation fund, similar to that provided for Poland to back the zloty in January 1990, is needed "to peg the rouble at a reasonable rate .... and must be announced as soon as possible." Unless people can see that inflation is to be capped, "wages will increase again and we shall then be into a disastrous wage-price spiral", he adds.

The government formed by Russian president Boris Yeltsin "is pledged to radical economic reform" and has already put in place many key elements of its strategy, Mr Gaidar writes.

To stabilise the currency, however, requires foreign exchange, which Russia no longer has. "The rouble is already grossly undervalued .... prices of traded goods are 20 times below world prices .... unless the exchange rate appreciates prices are bound to rise many times over." Thus, he adds, "foreign assistance is urgently required in preparing a fund to stabilise the rouble."

Three kinds of aid needed – and quickly, Page 11
Editorial Comment, Page 10

Maxwell share deals traced

By Bronwen Maddox and Robert Peston in London

INVESTIGATORS have discovered that funds paid to the US investment bank Goldman Sachs to buy shares in Maxwell Communication Corporation came from a company controlled by the late Mr Robert Maxwell.

The order to buy the shares, however, came from Swiss companies said to be unconnected to Mr Maxwell.

This new evidence was uncovered by accountants Arthur Andersen, which is investigating an alleged illegal attempt to support the MCC share price.

Arthur Andersen has found a facsimile from Mr Eric Sheinberg, a Goldman partner, to Dr Werner Rechsteiner, a Zurich-based lawyer, detailing a transaction in 25m MCC shares.

Goldman acted as broker in the sale of the shares for £56m ($100m) to the two secretive Swiss companies, Servex and Yakosa, on April 26 1991. Dr Rechsteiner is a director of Yakosa and also a director of other Swiss companies linked to Servex.

The authorisation for the transaction came from Zurich. However, the money is understood to have come from Bishopsgate Investment Trust, an investment company controlled by Mr Robert Maxwell.

Investigators believe that after the purchase, BIT held the shares in trust for the Swiss vehicles.

If Mr Maxwell funded the transaction, he should have disclosed his interest in the 25m shares under UK company law. Arthur Andersen is also concerned that some funds used in the alleged share support operation were channeled from Mr Maxwell's company, MCC.

It is illegal for a public company to assist in the purchase of its own shares without obtaining shareholder approval. Investigators will press Goldman for answers to these questions:

- Did Goldman suspect that there were links between Mr Maxwell and the Swiss companies, Yakosa and Servex?
- Did Goldman suspect that BIT provided the funds to settle the transaction?
- Did Goldman suspect the MCC shares might have been subsequently held in trust by a Maxwell private company?

Goldman refused to comment for fear of breaching client confidentiality rules. There is evidence of Goldman's concern that some of the investors who bought MCC shares from it in 1991 might have been connected with Mr Maxwell.

Goldman obtained oral confirmation from these clients – most of them introduced to it by Mr Maxwell – that they were not connected to Mr Maxwell. It obtained further confirmation in writing from all but one of the clients.

Dr Rechsteiner has said Servex and Yakosa held MCC shares at one point, but said he believed they had nothing to hide.

Goldman could have been ignorant that BIT held the MCC shares, since the shares may have been passed to another temporary holder before reaching BIT.

It is also likely to argue that the source of the funds would have been known only to its settlements department, which takes no part in the broking of deals.

Questions over Maxwell pension funds, Page 13

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Master political fixer takes over in Strasbourg

The European Parliament has just gained in Egon Klepsch, an avuncular German Christian Democrat, a president whose political skills rival those of the late Richard Daley, legendary boss of Chicago in the mid-1960s Page 10

MARKETS

STERLING
New York:
$1.805 (1.799)
London:
$1.8085 (1.791)
DM2.86 (2.86)
FFr9.75 (9.7525)
SFr2.535 (2.5325)
Y222.5 (221.5)
£ index 90.7 (90.5)

GOLD
New York Comex Feb
$358.4 (358.2)
London:
$358.0 (358.43)

N SEA OIL (Argus)
Brent 15-day Mar
$17.625 (18.125)

Chief price changes yesterday: Page 13

DOLLAR
New York : close
DM1.5885 (1.5905)
FFr5.4085 (5.4325)
SFr1.406 (1.4098)
Y123.6 (123.25)
London:
DM1.583 (1.597)
FFr5.3975 (5.445)
SFr1.403 (1.4135)
Y123.1 (123.65)
$ index 61.7 (62.1)
Tokyo close: Y123.34

US closing rates
Fed Funds: $4\frac{1}{2}$% (2)
3-mo Treasury Bills:
3.806% (3.858)
Long Bond:
$104\frac{31}{32}$ ($104\frac{1}{2}$)
yield: 7.571% (7.609%)

STOCK INDICES
FT-SE 100: Yield 4.84
2,543.4 (−1.5)
FT-A All-Share:
1,215.00 (0.0%)
FT-SE Eurotrack 100:
1,136.99 (+1.08)
FT-A World Index:
147.9 (-0.1)
New York close
DJ Ind. Av.
3,223.39 (−30.64)
S&P Comp
412.64 (−3.72)
Tokyo: Nikkei
20,858.30 (−55.52)

LONDON MONEY
3-month Interbank:
$10\frac{5}{8}$% (same)
Liffe long gilt future:
Mar $97\frac{3}{32}$ ($97\frac{13}{32}$)

Alitalia chief warns on air traffic control

By David Gardner in Brussels

EUROPE'S fragmented air traffic control system could start buckling by this spring, leading to long delays and cancellations, according to Mr Giovanni Bisignani, managing director of Alitalia.

Mr Bisignani, who has just taken over as chairman of the Association of European Airlines (AEA), which groups 23 flag carriers, said the failure to establish a unified air traffic control system had not been exposed last year because of the exceptional downturn in traffic, caused by recession and the Gulf war. Even so, AEA members clocked up 50,000 hours in flight delays in 1991.

"We cannot go on with 22 different operational systems and 33 different software systems," he said. "We need action and quick. It is not a lack of physical space; the system is inadequate."

He called on the European Commission to press for a unified control system as the precondition for a single market in civil aviation. Brussels' hands have been tied because air traffic control falls under national jurisdiction largely for reasons of national security.

Mr Bisignani underlined that fragmentation imposed unacceptable costs – \$2.2bn (£1.22bn) a year in Europe – on airlines at a time of crisis in the industry, whereas the unified US control system dealt with three times the volume of traffic and cost airlines \$2.5bn.

His remarks on air traffic control came as part of a presentation on the AEA's reservations about Brussels' "open skies" policy. "We need and want a single market... but some things must be changed," he said after the presentation to the European parliament and in meetings with the Commission.

The AEA accepts the thrust of Commission deregulation, but wants to blunt its sharper edges.

Under the "third aviation package" adopted by Brussels last July, and now working its way through the Council of Ministers of the 12, access to EC routes will be opened up, established carriers' hold on landing and take-off "slots" at hub airports will be loosened, national licensing rules will be replaced by common rules detailing capital adequacy and technical fitness, and fare-setting will be liberalised.

Mr Bisignani said the AEA rejected growing supervision by Brussels of access to routes and level of fares.

On cabotage – allowing airlines from one member state to offer domestic services in another – he proposed a transitional period of three years beyond the 1993 target date.

Serbs draft law for new Yugoslavia

SERBIA has drawn up a draft law for the creation of a new, reduced Yugoslav state following international recognition of Croatia and Slovenia, writes Laura Silber in Belgrade.

A commission set up by the Serb-controlled federal parliament has proposed "the basis for the historic reconstruction of Yugoslavia", the Belgrade-based news agency Tanjug said yesterday.

The law, which is expected to be adopted in mid-February, is the first concrete step towards the creation of a rump Yugoslav state whose borders have not yet been defined.

"The borders would be democratically agreed by the nations which wish to remain in Yugoslavia," Tanjug said.

The draft law calls for the formation of a provisional constitutional assembly comprising 30 representatives from each republic. It says elections in the constituent republics could be held by autumn.

However, the plans are likely to face opposition both from within the republic and beyond.

On Friday the parliament of Bosnia-Hercegovina is expected to approve a referendum on independence for the republic's 4.4m Slavic Moslems, Serbs and Croats. Ethnic Albanians in the southern province of Kosovo, controlled by the Serbian police, also oppose the attempt to create a rump, Serb-dominated Yugoslavia.

● Representatives from Croatia and the federal army met EC monitors in Pecs, southern Hungary, yesterday to discuss ways to bolster the ceasefire.

EC carriers condemn postal rules

EUROPEAN Community rules on customs and value added tax give national post offices a competitive advantage worth more than £50m a year, private postal operators said yesterday, writes Roland Rudd.

The Association of European Express Carriers called for an overhaul of the system, which it claimed was "unfair and uncompetitive".

It has compiled a report outlining the difference in treatment of express mail by private operators and state post offices. A copy has been sent to the European Commission.

Mr Peter Davies, UK managing director of DHL, the international carrier, said that private operators were forced to satisfy a number of customs and VAT regulations which did not apply to post offices.

Private carriers, for example, had to prepare and submit to customs or input on a computerised system an import customs entry, calculating the amount of duty and VAT due. The operator is liable to a fine if it miscalculates the amount.

The assessment for post offices is carried out without charge by customs officers.

The association's study has been compiled ahead of the Community's green paper on postal services, due to be published later this month.

Mr Davies said: "DHL has never advocated the abolition of postal monopolies. Our principal concern is that we be allowed to offer in the UK and throughout Europe our value added services without being at a competitive disadvantage to any national post office."

Bank workers walk out across Germany

By Christopher Parkes in Bonn

GERMAN banking workers walked out of branches and financial institutions all over Germany yesterday in support of their claim for a 10.5 per cent pay increase this year, against an employer offer of 4.5 per cent.

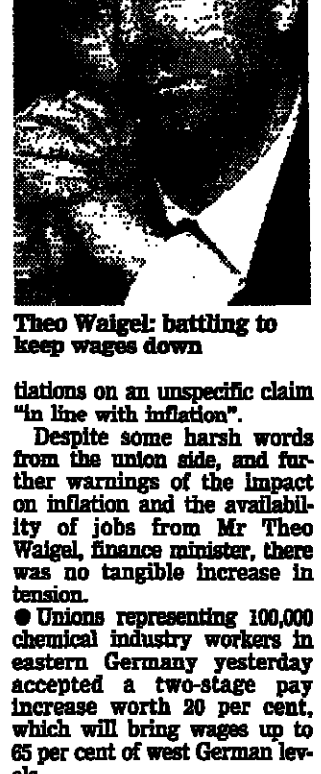
However, retail banking was not noticeably disrupted by yesterday's warning strikes. Negotiations are due to resume today.

Steel unions and employers, meanwhile, struggled to close the one percentage point gap between claim and offer in what were described as "last ditch" talks to avoid industrial action.

Officials from the steel union said before yesterday's talks, called ahead of a strike ballot planned for Sunday, that further progress had been made since last week's failed negotiating round.

At that stage management was offering a package worth 5.2 per cent, while the union had offered to reduce its official 10.5 per cent demand to just over 6 per cent.

In other negotiations, a 10 per cent claim from shoe industry workers was sent to arbitration after talks were formally broken off. Journalists joined the pay round with a demand for 11 per cent, while coal miners, who are faced with mass redundancies in the next few years, resumed negotiations on an unspecific claim "in line with inflation".



Theo Waigel: battling to keep wages down

Despite some harsh words from the union side, and further warnings of the impact on inflation and the availability of jobs from Mr Theo Waigel, finance minister, there was no tangible increase in tension.

● Unions representing 100,000 chemical industry workers in eastern Germany yesterday accepted a two-stage pay increase worth 20 per cent, which will bring wages up to 65 per cent of west German levels.

Ousted president is reported to have again fled the republic

Georgian forces 'agree to ceasefire'

By John Lloyd in Moscow

SUPPORTERS of ousted Georgian President Zviad Gamsakhurdia yesterday agreed a truce with representatives of the new military government, according to the mayor of the Black Sea port of Poti, a pro-Gamsakhurdia stronghold.

Mr Tengiz Baramidze said negotiations yesterday evening succeeded in agreeing a ceasefire between the two sides, thus averting the threat of an all-engulfing civil war in the 5m-strong republic.

"We decided we must stop this war. It is enough. On the other side of the barricades are Georgians. They are our sons," Mr Baramidze said.

Mr Gamsakhurdia, who fled to neighbouring Armenia after the collapse of resistance to a siege by rebel militia, returned to western Georgia last week. He is now said to have again left the republic.

The ceasefire agreement followed a breakthrough by government forces at a key bridge that opened the way to Poti from the east. Four government soldiers were killed in the battle, outside the rail centre of Samtredia, and six were wounded.

Mr Gamsakhurdia, who won a landslide election victory last May, was accused by the opposition of governing like a dictator. He was forced from office on January 6 after the siege in the now-gutted Georgian parliament in Tbilisi.

● The release of an SS19 intercontinental ballistic missile from a base in the republic of Kazakhstan on December 20 was carried out on the orders of the central nuclear command, without the knowledge of the Kazakhstan government, General Yuri Gusev, commander of central space weapons, said.

Although the Kazakh government was not informed of the launch, Washington was, he told the newspaper Izvestia. The launch, revealed over the weekend by the Washington Post newspaper, had been scheduled for two months.

It calls into question both the control of nuclear weapons in the Commonwealth of Independent States and the strength of agreements between them on nuclear issues.

General Gusev said the launch programme had been approved in July 1991 by the Union's military-industrial commission, now disbanded.

The states of Russia, Ukraine, Kazakhstan and Belarus, all possessing strategic as well as tactical nuclear weaponry, had agreed to a central control over nuclear weapons, but with close consultation between them on the use and deployment of missiles.

Mr Nursultan Nazarbayev, Kazakh president, told Mr Douglas Hurd, the British foreign secretary, during his visit to Alma Ata on Saturday that nuclear weapons presented no threat. Mr Hurd later said he was "reasonably satisfied" with these and other assurances.

An elderly woman cleans a Tbilisi street outside government buildings after the battles which led to the overthrow of President Zviad Gamsakhurdia

Soviet archives coup for UK

By Neil Buckley

THE task of microfilming and publishing the archives of the Communist party of the Soviet Union is to be started by a British company, it was announced yesterday.

Sir Charles Chadwyck-Healey, head of Chadwyck-Healey, the Cambridge academic publishers, said hundreds of millions of documents, letters, tapes and books had been locked away in the CPSU headquarters in Moscow, "either top secret or forgotten" until the party was banned last August.

Records date from before the revolution up until last year. The documents then passed into the control of the Russian government's council for archives, which has granted access to only a handful of historians.

Chadwyck-Healey paid a fee of "several thousand pounds" to the council for archives to receive a first batch of negatives of documents being microfilmed by Russian experts. It has exclusive rights to make copies and market these in the west.

"These archives are perhaps the most important single untapped resource for understanding the history of the 20th century," according to Mr James Billington, the US librarian of congress, one of the few westerners who has seen them.

The company is beginning with the personal and official papers of nine revolutionaries and early Soviet politicians including Trotsky, Kirov, Molotov, Zhdanov and Kalinin.

"These files are of extraordinary interest," Sir Charles said. "They are full of not only official documents but personal letters to family and friends which show what the individuals were thinking at the time and will provide insights never before available to historians."

A set of the first batch of documents is expected to sell for around £5,000, and 25 per cent royalties will be paid to the Russian government. Chadwyck-Healey expects to sell several hundred copies to academic libraries and historians.

If the first project is a success, the company plans to publish many more documents.

Airlines link for Vilnius service

THREE European airlines start this week regular scheduled services to Vilnius, the capital of the newly independent republic of Lithuania which is seeking to expand economic ties with the west, writes Paul Betts, Aerospace Correspondent.

Scandinavian Airlines System (SAS), Swissair and Austrian Airlines have for the first time co-ordinated services to the same city, operating a joint office and station and jointly recruiting staff.

The move marks a strengthening of the so-called European Quality Alliance airline partnership which is designed to enhance the competitive position of the three medium-sized airlines against larger European rivals like British Airways, Lufthansa and Air France.

The flights – from Copenhagen, Zurich and Vienna – will allow a daily service to Vilnius from one of the three cities, except on Wednesday.

Lithuania is anxious to attract western investment to modernise and expand the Vilnius airport. A big problem facing western carriers setting up operations in the Baltic region is the lack of adequate ground and telecommunications infrastructure.

Yesterday's launch of the first SAS flight from Copenhagen to Vilnius also marks a further expansion of the Scandinavian carrier's operations in the Baltics.

Plotters spared death sentence

By Leyla Boulton in Moscow

THE 12 men charged with conspiracy to seize power in the failed Soviet coup last August will be spared the death sentence, Mr Valentin Stepankov, Russian prosecutor-general, said yesterday.

The trial would start this summer at the earliest, he added.

Mr Yevgeny Lisov, chief investigator in the case, said a core of six Soviet leaders had long been planning to "turn the clock back" on all reforms initiated by President Mikhail Gorbachev since he came to power in 1985. But they were spurred into action on August 19 by the threat of the Union treaty's signing, which would have dismantled most central authority.

Mr Lisov said the putsch foundered on a failure to follow up a plan to storm the Russian parliament – which would have required "killing several thousand people". The plans emerged in about 100 documents found on some of the defendants.

The coup plotters allegedly aimed to intern the Russian leadership, and execute thieves and other petty criminals as part of a law and order campaign. They also planned to abolish all local government councils.

Mr Stepankov said the state would call for jail sentences of 10 to 15 years for the plotters, rather than the death penalty. "The position of the accused is that they were acting for the good of the people," Mr Lisov said.

"They consider themselves as not guilty."

Although some of the defendants had reason to believe Mr Gorbachev would support their bid to seize power, Mr Lisov said the former Soviet president was innocent of any wrongdoing.

Donors meet to co-ordinate aid for CIS republics

By Anthony Robinson in London and David Buchan in Brussels

MORE than 40 donor governments and international financial institutions meet in Washington today to co-ordinate their assistance to the fledgling independent republics of the Commonwealth of Independent States (CIS).

Although formally convened by Mr James Baker, US secretary of state, to discuss means of making international aid to the former Soviet Union more effective, the two days of talks are also expected to provide a forum for wider ranging discussion of how to deal with the underlying economic and financial crisis afflicting the former Soviet superpower.

Mr Baker will open today's plenary session by welcoming senior government officials from donor countries and representatives of the IMF, the World Bank, the European Bank for Reconstruction and Development and other institutions gearing themselves up to admit the new independent republics and expand lending and technical assistance.

Behind the scenes, five specialised working groups will concentrate on specific aspects of aid. They will cover provision of shelter, ways of ensuring continuing energy supplies, medical assistance, technical help and food aid itself.

Mr Douglas Hurd, UK foreign secretary, is co-chairman of the food aid working group.

Most European participants in the conference seem determined to make it a success, despite their hurt feelings over the way the US convened it.

The European Commission believes that helping the CIS avoid a winter of chaos and privation is an international task, and that the US has a key role in widening the aid effort to bring in Middle East, Asian and Latin American donors.

"We are happy with the conference because there needs to be co-ordination between actual donors – mainly the EC, the US, Japan – and potential donors, like the Arab countries," said a spokesman for Mr Frans Andriessen, EC external affairs commissioner who leads the EC delegation.

The Commission thus appears to have swallowed its pride and overlooked the fact that when its president, Mr Jacques Delors, first proposed last September an international conference on aid to the former Soviet republics – admittedly in the narrower context of the Group of Seven industrialised countries – the US did not respond.

Mr Andriessen is expected this week to propose a follow-up meeting to the Washington conference, to be hosted by the Commission in Brussels in April.

Some EC member states are, however, still upset about what they see as Washington's bid to get the political kudos for an aid programme mostly funded by others. Among these states are Germany, overwhelmingly the largest donor if all types of aid are considered, and France, which has sent a junior minister and not its foreign minister, to Washington.

The conference also coincides with renewed transatlantic trade friction over the Uruguay Round negotiations.

The EC is the largest aid donor to the CIS, providing Ecu47.46bn (£34bn) out of a worldwide total of Ecu62.4bn.But included in the total are special payments, such as the Ecu8.35bn Germany is spending to move Russian troops out of its eastern states by 1994 and rehouse them in Russia and other CIS states.

On food aid, the EC and the US are not far apart. The US has offered Ecu2.96bn in agricultural credit, and the EC Ecu1.75bn. The US is giving Ecu132m worth of food aid grants while the EC budget includes about Ecu450m. About Ecu200m of the EC aid is being targeted at Moscow and St Petersburg.

Technical assistance for transport, energy and food distribution and storage is proving slower to deliver. The Community is the biggest donor here, having pledged Ecu900m in 1991-2. But technical aid from the US will amount to Ecu388m, which includes the equivalent of Ecu298m for the dismantling of nuclear arms.

Bonn is anxious to spread its burden

By Quentin Peel in Bonn

GERMANY, by far the largest donor and international lender to the former Soviet Union, is going to the Washington conference determined to spread the load.

If all sources of aid and credit committed since September 1990 were put together, EC members would have provided about 75 per cent of the total, and Germany alone 57 per cent, according to figures from the European Commission.

That includes food and medical assistance as well as export credits and credit guarantees, balance of payments support, specific payments to finance the withdrawal of Soviet troops from Germany, the dismantling of nuclear missiles and technical assistance.

"Given the importance of the reform process in the Commonwealth of Independent States for the future of the whole world, the burden must be fairly borne on all shoulders," the German Foreign Ministry said yesterday. "Failure of the reform process will not only have a negative effect on one country, or even one group of countries, but on the whole world."

At the same time, thanks to its aid efforts, Germany has the best experience of how carefully aid must be targeted within the CIS. The leading non-governmental aid agencies argue that blanket food aid, and private programmes of aid parcels, are not what is needed.

"We must have patience and not rush into sending assistance," says Mr Peter von Oy, chief executive of the Care agency. "The European Community kept saying aid must go at once, at once, at once. I kept saying it is far more important to ensure it is properly distributed.

"Food is not necessarily what is most needed: medical aid is even more urgent. But in the medical field we need measures which will last for a few years: which will mean progress and change.

"It is not just a question of sending medicines which will be accepted officially, but which are simply unheard of in Russia. They don't know how to use them."

Germany is proud of the DM400m (£140.8m) private aid effort launched last winter. Yet this showed that initiatives like food aid parcels sent through the post fail to reach the needy and could create resentment among recipients.

As a result, groups like the Red Cross and Care have focused on specific aid programmes or targeted particular areas, like the Chernobyl radiation zone.

The Foreign Ministry, which has co-ordinated the German aid programme, is also switching its focus from immediate short-term food aid, to medium- and long-term assistance.

Battle over Russia's runaway central bank

John Lloyd on why control over credit may be vital for Yeltsin's survival

A BITTER subterranean struggle is now convulsing the Russian administration. It is between the Russian cabinet and the country's central bank, and it is about control of credit.

The stakes are high: either the government wins control of credit in a matter of weeks, or it falls, according to Professors Jeffrey Sachs of Harvard and Anders Aslund of the Stockholm Centre for Soviet and East European Economies, two foreign advisers to the Russian government.

In their view, the demon is Mr Georgy Matiukhin, the academic-turned-chairman of the central bank. Mr Matiukhin, on government estimates, advanced credit mainly to the commercial banks, to the tune of Rbs600bn last year.

Credit was advanced at an accelerating rate as the year progressed and at an interest rate of 6 per cent.

The credit went to industrial enterprises, and now keeps them afloat, protecting them from market influences and allowing them to hoist prices without regard to sales. It allows military-industrial plants to produce armaments no-one wants even when the budget allocation to defence equipment has been cut to 12 to 15 per cent of last year's level.

Since the main prize the government hopes to achieve in the immediate future is a cut in the rate of inflation, control of money supply is critical. A plan last year to bypass the central bank by creating a new Russian State Bank was dropped.

The government has since tried to depose Mr Matiukhin. Last month, Mr Yegor Gaidar, the deputy prime minister in charge of economic reform, told the daily Izvestia that a new chairman – Mr Boris Feodorov, a senior executive with the European Bank for Reconstruction and Development in London, would soon be taking over from Mr Matiukhin. That has not happened.

Mr Matiukhin survives mainly because he is responsible not to the government but to parliament. The parliamentary speaker, or chairman, Mr Ruslan Khasbulatov, is himself the sternest of critics of the government's economic policies, having called for its dismissal and for Mr Boris Yeltsin, the Russian President, to distance himself from the government which he heads.

Mr Matiukhin claimed in a recent interview that he now has tight control of monetary policy, following talks with Mr Gaidar and his colleagues. However, he has resisted providing information either to the government or to the International Monetary Fund, from which the government wants to put a strong team inside the bank to run monetary policy.

But Mr Matiukhin can also claim to have been wronged by the government. When he was stoking up the fires of credit last year, he was quietly encouraged to do so by a Russian government which wanted to destabilise the central, Soviet power.

But now that Russia is independent and requires monetary prudence, Mr Matiukhin is being turned upon and savaged by Mr Yeltsin's government.

Indeed, Mr Yeltsin himself took a sideways swipe at him in his speech to the Russian parliament last Thursday, when he alleged "sabotage" of reform by powerful forces.

The government is preparing new stratagems inside and outside parliament to deal with Mr Matiukhin.

As Russia's application to join the IMF as a full member is being processed, there will be more pressure from the world economic community to open the Bank's books and to enforce discipline – otherwise the desperately needed support for reform, through a stabilisation fund for converting the rouble and for purchasing imported food, will not be forthcoming. A showdown is not far off.

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Japan tries to calm US anger at 'lazy' jibe

By Stefan Wagstyl in Tokyo

THE Japanese government yesterday tried to calm anger in the US over a veteran politician's claim that American workers are lazy and illiterate.

It also rebutted US suggestions that Mr Kiichi Miyazawa, the prime minister, attempted in a television interview to distance himself from an auto trade agreement he had made with Mr George Bush during the US president's recent visit to Japan.

The incidents come at a difficult time in US-Japan relations, with officials and politicians on both sides of the Pacific considering how to deal with US demands for cuts in Japan's trade surplus with the US. Mr Bush, who is campaigning for re-election this year, has been accused of failing to secure large concessions during his visit and faces mounting political pressure for tough action against Japan.

The politician who criticised American workers is Mr Yoshio Sakurauchi, the 79-year-old speaker of the lower house of the Diet. He said in a speech on Sunday in his rural constituency that "American workers don't work hard enough, yet they demand high pay".

According to Japanese newspaper reports, Mr Sakurauchi also described the US as "Japan's sub-contractor" and said that "managers in the US cannot give written orders because about 30 per cent of American workers are illiterate".

Mr Michio Watanabe, the foreign minister, said yesterday he disagreed with Mr Sakurauchi and that Mr Sakurauchi's comments did not reflect the views of the Japanese people in general. Mr Sakurauchi's post is largely honorary and he has no role in the government. Mr Sakurauchi himself denied describing the US as Japan's sub-contractor or referring to American workers as illiterate. He apologised for making a speech which was "liable to cause misunderstanding".

But by yesterday, the damage had been done. American journalists in Tokyo had already seized on Mr Sakurauchi's original comments and relayed them back to the US, where they were widely reported in newspapers and television. Mr Owen Bieber, president of the United Auto Workers' Union, condemned Mr Sakurauchi's criticisms as "bigoted".

US tempers were further inflamed by reports of Mr Miyazawa's comments on plans by Japanese motor companies to increase purchases of US components by $10bn a year by 1994 and to "expand sales opportunities" for US cars. He said that since Japan was a free market economy the figures should be seen as "goals which the companies work towards rather than as firm promises".

US officials believe the Japanese car companies' commitments amount to firm pledges. Mr Michael Farren, US under-secretary of commerce for international trade, responded with a sharp warning that Japan would face a "very negative reaction" should it fail to "expeditiously move to meet and exceed the goals" set while Mr Bush was in Tokyo.

However, last night Mrs Carla Hills, the US trade representative, she did not view Mr Miyazawa's remarks as backing off a pledge that Japanese companies would buy more American car parts. She said: "The commitment is by the auto companies on their own. It is not a government-to-government agreement."

Yesterday, Mr Koichi Kato, the chief cabinet secretary, tried to assuage US anger by saying the car companies' commitments were promises.

In fact, Mr Miyazawa's original remarks accurately reflect the loose wording of the documents, which include a main text prepared by the Ministry for International Trade and Industry and separate papers from the five largest car makers, all different in tone.

There is plenty of scope for Americans to claim that Japan is reneging on its promises, just as the Japanese government will be free to deny any such thing.

Mr Sakurauchi's comments follow other sporadic anti-American gaffes by Japanese politicians.

In 1986, Mr Yasuhiro Nakasone, then prime minister, said Americans were less intelligent than Japanese; in 1988, Mr Watanabe, the present foreign minister, said black Americans often ran away from their debts. In 1990, Mr Seiroku Kajiyama, then justice minister, compared foreign prostitutes arriving in Tokyo to blacks moving into white areas in the US.

However, Mr Sakurauchi's criticisms probably have more support from the Japanese public than the previous insults because they are founded in a widespread concern about the pressure Mr Bush put on Mr Miyazawa during his visit.

Many Japanese resent being bullied by the US. They believe the main reason American cars do not sell well in Japan is that they are badly made.

Yoshio Sakurauchi yesterday: apologised for speech "liable to cause misunderstanding"

France launches trade drive in Japan to cut ballooning deficit

By Ian Davidson in Paris

THE French government has launched a trade promotion campaign targeted at the Japanese market with the aim of reducing the ballooning French trade deficit with Japan.

The campaign follows a five day visit to Japan by Mr Pierre Bérégovoy, the finance minister, which is being interpreted in France as a direct riposte to the trade promotion visit by President George Bush.

Mr Bérégovoy sought from the Japanese government, and believed he had secured, undertakings that there would be no discrimination in favour of the US at the expense of Europeans.

Mr Bérégovoy attempted to distinguish himself from the insistent demands of President Bush, by emphasising his aim of closer co-operation with Japan, and France's openness to direct investment.

The French export campaign, spread over three years, will aim to improve the image of French goods, and in particular will promote 12 specific sectors, including aeronautics, food and agriculture, pharmaceutics, environmental and car components.

The French trade deficit with Japan currently runs at around FFr30bn (£3.09bn) a year. "This is a difficult market, but not impenetrable", Mr Dominique Strauss-Kahn, French foreign trade minister said yesterday. "Japanese imports are growing each year by 20 per cent, and we must get our share."

● A consortium of ABB Power Plants and Japan's Marubeni Corporation has signed a letter of intent with the Indonesian Electricity Board to build a $700m power station at Tanjung Priok, near Jakarta.

Philippines debt deal in shadow of election

Richard Gourlay on senators' fears of tax reforms

THE agreement between the Philippines and the International Monetary Fund reached last week over the level of the 1992 budget deficit is a crucial step towards containing the country's $29bn (£16.2bn) external debt.

Put a new IMF programme in place, bankers argue, and $5.3bn of commercial debt could be restructured in a way that would substantially reduce the impact of one of the country's most debilitating problems.

But central bank and finance department officials are racing against the clock to secure Senate approval for tax changes demanded by the IMF before elections in May.

Without the new tax laws, which are designed to tackle the budget deficit, the IMF will refuse the Philippines its "stamp of good house-keeping" and the rescheduling would be back on ice.

Manila would also then miss out on a year's aid from its largest bilateral donor, Japan, if the IMF's approval came after Tokyo's current budget cycle ends. And there would be a freezing on new aid from multilateral donors who seek comfort from IMF-backed structural adjustment programmes.

The IMF has agreed to allow a national government budget deficit of 9bn pesos this year and a consolidated public sector deficit (which includes the losses from 14 government corporations and the central bank) of 37.7bn pesos, equivalent to 2.7 per cent of gross domestic product. This compares with an estimated consolidated deficit of 2.8 per cent of GDP in 1991 and 5.8 per cent in 1990, according to Mr Jose Cuisia, central bank governor.

Failure to pass the tax measures would be a "disaster", according to Mr Ramon Mitra, a leading presidential candidate and speaker of the House of Representatives which has passed the measures. "They are not new taxes, they only enhance government's ability to collect taxes."

Despite what many economists and businessmen see as the overwhelming case in favour of the tax measures – most controversial of which is a modification of VAT – the Senate's approval is still in doubt.

Anything that smacks of tax increases may be seen as political suicide in the run-up to an election in which many of the senators are standing for office.

Even with the IMF squared away, bankers will have to move quickly to implement the commercial debt rescheduling that was agreed in principle last year before the administration changes at the end of June.

The IMF wants changes to the tax system which politicians think may be unpopular at the polls

Mr Cuisia and Mr Jesus Estanislao, the finance secretary, must first seek about $600m from the IMF, the World Bank and the Japanese government. This will be used as collateral for new debt instruments issued in line with the Brady/Miyazawa plan applied in Venezuela and Mexico.

The debt instruments would reduce interest rates and the stock of debt for the Philippines; the banks would be able to convert debt into bonds that provide a better quality of security.

Mr Cuisia expects most banks to opt for the Principle Collateralised Interest Reduction bonds (PCIR or par bonds) which are secured by zero-coupon US Treasury bills. The bonds mature in 25 years when the proceeds will have grown by enough to repay the banks. Manila will pay a reduced coupon, which rises over time to 6.25 per cent and one year's interest will be collateralised.

A second bond is the simple Interest Reduction Bond. These are not collateralised, carry an interest charge that starts at 4 per cent and rises to Libor-plus 13/16 per cent and have a seven-year grace period. They were designed primarily for Japanese banks which can not easily secure long-term liabilities with a fixed-rate instrument.

In addition to these two types of so-called "exit bonds" for creditors that want to leave the Philippines, new money bonds are available for banks that want to maintain an exposure in the country.

For every $1 of new money, a bank is permitted to convert $4 of outstanding debt into $4 of debt conversion bonds. The bonds are priced 13/16 per cent above Libor with a five-year grace period. Venezuela and Uruguay did a similar deal last year with a swap rate of 5-for-1.

The more banks opt for the PCIR bonds the less the country will have to worry about its foreign debt as Manila has no principal to repay on these bonds, bankers say.

Before banks opt for any of these options the central bank will offer them the opportunity to buy back debt at a discount, similar to a 1990 deal when $1.38bn was retired. The central bank expects it will need $300-$600m from its foreign exchange reserves of $4.3bn for this.

In the event the Senate does not pass the tax measures, scuttling the IMF deal and all that hangs on it, there could be an immediate loss of confidence.

Bankers fear renewed pressure on the balance of payments and a reversal of the recent net flow of dollars back into the country. Furthermore, any increase in pre-election government spending not matched by higher tax revenues would add to a domestic borrowing level that is threatening to run out of control and is probably already a bigger threat to economic recovery than the foreign debt.

"Failure to put the debt deal in place before the elections would not be the end of the world," says one Filipino official of a foreign bank. "But the new government would start at a much disadvantaged position."

UN censures Libya over Lockerbie disaster

By Michael Littlejohns, UN Correspondent, in New York

THE UN Security Council called unanimously on the Libyan government last night to answer fully official charges that its agents caused the 1988 Lockerbie air disaster and blew up a French airliner in West Africa.

In its resolution, the council strongly deplored "the fact that the Libyan government has not yet responded effectively" to requests for co-operation. It urged Tripoli to provide a full and effective response "so as to contribute to the elimination of international terrorism".

However, the resolution proposed by Britain, France and the US stopped short of expressly blaming the Libyan government for destroying PanAmerican flight 103 in December 1988 with the loss of 270 lives and the UTA flight 772 in Niger nine months later. That crash took 177 lives.

None the less, the UN action was widely interpreted as a warning to Libya that it must turn over two alleged terrorists named by Britain and the US in the Lockerbie case or face a threat of economic sanctions.

France has not requested the extradition of Libyans it suspects of causing the UTA crash.

At the outset of the debate, Mr Jadallah Belgassem, the Libyan minister for strategic industries, termed "completely baseless" evidence uncovered by British investigators. He said Libya's own enquiries had made no progress, because Britain, the US and France refused to reveal evidence in their possession.

Libya had already co-operated and was ready to do so "to the fullest extent", but in a legal context not the political one imposed by raising the question improperly in the Security Council.

He cited the 1971 Montreal Convention for the protection of civil aviation and affirmed Libya's readiness to abide by it.

Mr Belgassem called for neutral arbitration and referral of the case to the World Court if that failed.

Sir David Hannay, UK delegate and Security Council president, replied that the convention was "simply irrelevant" to the issue. Those accused of bombing the PanAm flight must face and receive a proper trial that, clearly, should be held in Scotland or the US.

It was not practical for an international tribunal to conduct a trial and the World Court had no criminal jurisdiction.

Representatives of Sudan and Iraq, which are not Council members, and the Arab League, supported the idea of arbitration and the delegate of Iran said Tripoli was not legally bound to turn over the accused Libyans.

Hyundai workers end occupation

MILITANT workers ended their occupation of South Korea's largest car plant yesterday after police threatened to storm the Hyundai factory with helicopters, armoured vehicles and thousands of officers, AP reports from Ulsan.

The workers took over the plant after it was closed by the company following a union strike vote. The workers were demanding special bonus payments, better working conditions and reinstatement of workers dismissed for union activity.

Early yesterday, helicopters flew over the plant dropping leaflets informing workers of the dawn evacuation deadline and threatening an assault after 12,000 riot police massed around the factory compound.

Some 3,000 to 4,000 car workers had been reinforcing towering barricades of trucks, cars dragged off assembly lines, vehicle parts, tyres and hijacked fire engines.

Clusters of workers pounded the ground with steel pipes, keeping time with rousing pro-labour songs blasting out across a compound littered with broken car parts.

South Korea's wages have doubled in four years because of union pressure. The government has asked companies to keep down pay rises to improve competitiveness.

Move follows strong pressure from settlers

More troops sent to West Bank and Gaza

By Hugh Carnegy in Jerusalem

ISRAEL said yesterday it had sharply increased the strength of its armed forces in the occupied territories, a move which followed strong pressure from Jewish settlers for more aggressive army action against the Palestinian uprising, or intifada.

The army's statement that it was stepping up troop numbers in the West Bank and Gaza Strip by 20 per cent kept the focus of political debate in the wake of Sunday's collapse of Mr Yitzhak Shamir's coalition government fixed firmly on the occupied territories.

Mr Moshe Arens, the defence minister, denied the reinforcement was prompted by the demands of the settlers, who have mounted angry demonstrations against him and Mr Shamir over a series of shootings in which five Israelis, including fours settlers, have died. He said the extra troops were needed to help track down the killers.

But both Mr Arens and Mr Shamir have been quick to affirm their support for the 100,000-strong settlers – an important constituency for their Likud party – since the loss of the government's parliamentary majority heralded a likely general election by mid-summer.

The issue is a tricky one for Mr Shamir because his dogged commitment to expanding Jewish settlements may jeopardise his request for $10bn (£5.5bn) in loan guarantees from the US, which strongly opposes the settlements. Israel, needing to raise more than $20bn overseas to help cope with mass Jewish immigration from the former Soviet Union, can ill-afford to forego the assistance.

Mr Ronni Milo, the police minister and close associate of Mr Shamir, suggested in a newspaper interview that Mr Shamir could reach a "quiet agreement" with Washington to freeze settlements, although it would be difficult for him to announce this publicly.

This was interpreted as meaning Mr Shamir might tell the Bush administration that no further commitments to new house building in the settlements would be made. But, as settler leaders were happy to point out, the large numbers of housing starts already under way or in the pipeline would mean such an assurance would have little meaning.

Latest figures show housing starts in Jewish settlements – almost all government funded – numbered 6,435 in the first nine months of last year, compared with 1,820 in all of 1990. The government is committed to more than 5,000 this year.

Mr Shamir's apparent lack of concern about voter reaction to the economic consequences of his settlement policies is partly explained by the disarray in the main opposition Labour party.

At a meeting of Labour MPs yesterday attended by reporters, Mr Shimon Peres, the party leader, and Mr Yitzhak Rabin, who will challenge his leadership before the election, traded angry accusations and insults.

Mr Chaim Ramon, leader of the Labour parliamentary party, warned that if the two did not stop squabbling "it will cause irreversible damage to Labour's position which will be very difficult to overcome".

The Palestine Liberation Organisation has demanded representation of the Palestinian diaspora and guarantees that no Arab countries will sign separate treaties with Israel as prerequisites for Palestinian involvement in the multilateral talks scheduled to open in Moscow next week, Lamis Andoni writes from Amman.

Syria and Lebanon have already declared that they will not attend the multilateral talks, citing lack of progress in two rounds of bilateral Israeli Arab talks held in Washington in December and January. Jordan insists on attending the talks which it argues will build up international pressure on Israel to make concession over its bilateral disputes with Arab countries.

Foreign ministers of Arab countries are expected to meet in Morocco on Friday to decide whether the Arabs will take part in the talks that will tackle such issues as water, disarmament and the environment.

The US, according to a senior PLO official, has insisted that representation should be confined to Palestinians from the occupied West Bank and Gaza Strip.

India seeks new trade pact with Russia

By K K Sharma in New Delhi

MR Boris Yeltsin, the Russian president, is expected to visit New Delhi in March or April to sign a new friendship treaty to replace the 1971 agreement between India and the Soviet Union.

A draft agreement was discussed with Russian officials when Mr J N Dixit, India's foreign minister, visited Moscow last week.

It was recognised during the talks that India's old relationship with the Soviet Union, in which it gained preferential treatment as its main ally in Asia, no longer held good and that a new arrangement would have to be worked out.

The draft omits the references to security in the 1971 treaty, although it does provide for regular consultations on peace and security. Russian support for India's stand on Kashmir is said to have been reaffirmed.

The transition to a new pattern of bilateral trading is proving more difficult. It has been decided to give up "rupee" transactions, under which an annual trade protocol was signed listing imports and exports of the two countries on a balanced basis. However, an immediate changeover to using convertible currencies is not contemplated.

For the present, the goods exchanged will be valued in dollars but paid in rupees. This will continue for two years while the difficult question of the rupee-rouble exchange rate is worked out. Trade in convertible currency is to follow after that.

This presumably means that Russia will cease exporting to India cheap crude oil, fertilisers, newsprint and metals and that trade will be based on world prices.

This will harm India since it has been receiving sophisticated defence equipment from the Soviet Union cheaply and on easy credit terms. While the Russians are reported to have agreed to provide spares and components which the Indian armed forces need urgently, the terms for future defence supplies have still to be worked out.

The Indians are satisfied that Russian will honour credits for several power projects promised by the Soviet Union. This includes assistance for a nuclear power plant in the southern state of Tamil Nadu.

A similar treaty is being negotiated with Ukraine.

AMERICAN NEWS

Taxes, spending and health care to dominate Congress session

US poised for tussle on economy

By Lionel Barber in Washington

THE US Congress reconvenes today, with the House and Senate poised to plunge into debate on the US economy, the single most important issue in the 1992 election.

Tax relief, economic growth packages, health care and the size of a "peace dividend" from defence cuts will dominate the second session of the 102nd Congress. Legislative business will be put on hold, however, until after President George Bush's State of the Union address on January 28.

The following day, the Bush administration will provide Congress with its fiscal 1993 budget (which begins in October). By unveiling these two policy pronouncements in succession, the White House hopes to gain early public support for its proposals ahead of the Democratic counter-attack.

One intriguing tactical question is how far Mr Bush is ready to compromise with the Democratic majority in the House and Senate in order to ensure that some of his proposals – such as middle class tax relief, a cut in the capital gains tax, and help for first-time home buyers – pass into law.

In his three years in office, Mr Bush has relied a great deal on his power of legislative veto to curb the Democratic majority. The exception was the 1990 budget deficit reduction agreement when he agreed reluctantly to a tax increase.

Reaching agreement on the scope of middle class tax relief – a Democratic favourite in an election year – will require Mr Bush to compromise.

The main issues this session are:

● Budget, taxes and spending. Much will depend on the proposed cut in defence spending. Mr Bush is considering slashing $50bn over five years beyond current proposals; Democrats are looking at $100bn. The 1990 budget agreement seems certain to be modified, even if overall caps on total spending remain.

● Health care. Mr Bush may unveil proposals for tax credits for uninsured Americans, but sweeping legislation will have to wait until after the November election.

● Defence. The Pentagon wants to preserve personnel, so weapons systems such as the B-2 Stealth bomber and the Seawolf submarine will be either axed or drastically scaled back.

● Trade. Debate on President Bush's trade mission to Japan will dominate early in the session. More important is whether Mr Bush will have a General Agreement on Tariffs and Trade deal to submit to Congress by the spring.

● Foreign aid. Congress must confront the sensitive issue of the $10bn housing loan guarantee request from Israel to help settle Soviet Jews; the Senate must consider ratification of the Start treaty with the former Soviet Union.

A man yells at counter-demonstrators who overturned a police car during a riot in Denver sparked by a Ku Klux Klan rally on Martin Luther King Day

UK rebuffs Argentine military overtures

By Jimmy Burns

DISCREET attempts by Argentina to resume normal military ties with the UK appear to have been rebuffed in the run-up to the 10th anniversary of the Falklands war.

It emerged yesterday that the Ministry of Defence has turned down a request from Argentina to allow a limited supply of UK-manufactured spare parts to the Argentine navy, begun during the Gulf war, to continue.

Whitehall has also vetoed a plan for an Argentine military transport aircraft to fly to Britain next month to collect some cargo assembled by the naval attaché's office at the Argentine embassy in London.

Argentine officials insist the cargo would have involved nothing more than a few boxes filled with books and military research periodicals, as well as brochures of British defence companies, normally sent via the diplomatic bag.

But the planned trip by an aircraft which is normally used by the Argentine navy to transport military equipment would have almost certainly fuelled stiff opposition from the Falkland islanders and from MPs opposed to any suggestion of a "sell-out" over the islands.

Military ties between the two countries have been governed officially by an arms embargo imposed by Britain on Argentina following the outbreak of the Falklands war in 1982.

During the Gulf war, however, London agreed to the supply of Rolls-Royce spare parts to the Argentine navy which operated with the allied forces.

The parts were for Argentina's German-built destroyer Almirante Brown, which is powered by Rolls-Royce Olympus and Tyne gas turbines. They were drawn from Royal Navy stocks.

Argentine officials had hoped the waiving of the arms embargo would pave the way for a more open policy on military relations.

The Argentine navy is believed to be cutting the operational hours of vessels to minimise the use of equipment for which replacement parts are needed.

Daley eyes $10bn regional airport project

Barbara Durr on competition for the siting of a 200,000-job public works bonanza

MR Richard Daley, the mayor of Chicago, is fighting to win the public works project of a lifetime – a huge new international airport.

The mayor is using Chicago's considerable political clout to gain approval for his preferred site for the project, which is competing with four others.

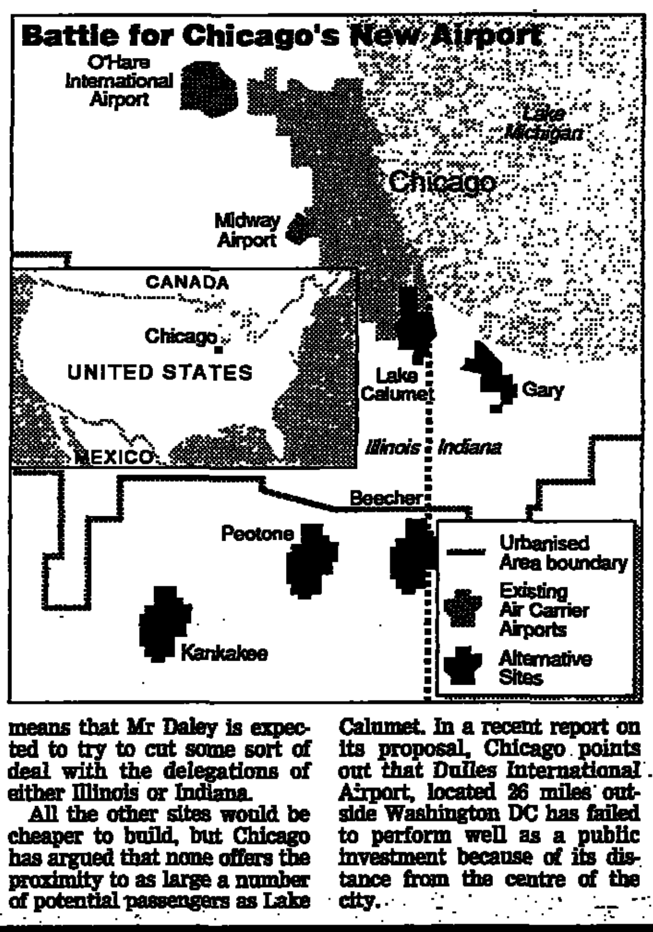
Mr Daley's choice of Lake Calumet, an area on the city's largely delapidated south-east side, would carry a price tag of more than $10bn and generate as many as 200,000 jobs. With the city's tradition of patronage, this is a politician's public works bonanza.

This week a bi-state policy committee, composed of four officials from the state of Illinois, four from Indiana and three from Chicago, is expected to decide on the site of the new airport. It is aimed at supplementing O'Hare, the world's busiest airport, and Midway, the city's oldest airfield, to absorb air traffic growth over the next three decades.

The other contenders are: an expansion of an existing airport in Gary, Indiana; or three greenfield sites – Kankakee and Peotone in Illinois and Beecher, on the border of the two states.

Six votes are needed for selection of the site, which means that Mr Daley is expected to try to cut some sort of deal with the delegations of either Illinois or Indiana.

All the other sites would be cheaper to build, but Chicago has argued that none offers the proximity to as large a number of potential passengers as Lake Calumet. In a recent report on its proposal, Chicago points out that Dulles International Airport, located 26 miles outside Washington DC has failed to perform well as a public investment because of its distance from the centre of the city.



Those who oppose the Lake Calumet site say that it will be too costly – the official consulting report of the committee puts the price at $17.7bn, rather higher than Chicago's estimate – and that it will cause the most dislocation of residents.

According to the official study, some 10,200 residences with 27,400 people are directly in the development area of Lake Calumet.

Development at Gary, the other urban site, would affect 9,200 residences and 24,700 people. Any of the other sites affect fewer than 1,500 people.

For Lake Calumet it would be an opportunity to clean up Chicago's most heavily-polluted area. It has 13 hazardous waste sites, 15 landfills and some 27 random dumps.

Despite the fact that pollution tops the concerns of local residents about their neighbourhoods, there are some groups organised to fight the location of the airport there.

Many are loath to move from homes they have lived in all their lives. Some of those who will not have to be relocated object because of the expected noise and air pollution.

Mayor Daley is already being pressured by residents near O'Hare who are resisting plans to build an additional runway there. O'Hare operates at capacity, handling over 60m passengers annually.

Chicago is keen to retain its historical role as the main US transportation hub. Since the days of riverboat and railroad travel during the 19th century, Chicago has been America's premier transportation nexus. It fears that it will lose some of its economic edge if it cannot accommodate the growth in air traffic demand.

Aviation demand in the region is forecast to rise to 73.8m in originating and connecting passengers by the year 2010 and to 90m by 2020.

A regional study in the summer of 1989 showed additional air carrier capacity would be needed or the area would begin to lose significant amounts of traffic to other major metropolitan hubs.

Denver is the only American city to undertake construction of a big airport since the Dallas-Ft. Worth airport was built in the early 1970s.

O'Hare has brought prosperity to the northern area of the city, as businesses related to air transport, those that service it or are in need of it cluster there.

Mayor Daley hopes that the same could occur in Chicago's depressed south-eastern corner. But he clearly also has his eye on the political dividends such a project will pay.

US Supreme Court to review abortion law

By Nancy Dunne in Washington

THE US Supreme Court yesterday agreed to review a highly restrictive Pennsylvania abortion law, paving the way for an inflammatory debate over the constitutionality of abortion during this year's presidential campaign.

As the court announced the review, dozens of demonstrators were being arrested for trying to bar pregnant women from entering two Washington abortion clinics. Pro-choice advocates were "running the blockades" to escort pregnant women into the clinics.

Ms Judith Lichtman, president of the Women's Legal Defence Fund, yesterday said she expected the court to use the Pennsylvania case as a vehicle to reconsider Roe vs Wade, the 1973 decision which legalised abortion in the US.

Today is the 19th anniversary of the Roe decision.

President George Bush has replaced two liberal judges on the supreme court with two conservatives, and "the risk is high" that Roe will be overturned, Ms Lichtman said.

A Pennsylvania appeals court struck down a provision in the Pennsylvania law which said a wife's spouse must be notified before an abortion can be performed, but it let stand other restrictions, including compulsory a 24-hour waiting period before the abortion. Both the state and women's rights groups then appealed to the Supreme Court.

Women's groups are blaming Mr Bush for the threatened loss of abortion rights along with the Senate, which approved his court nominees.

Asylum plea for Haitians

AMNESTY International, the British-based human rights group, urged the US yesterday to reconsider its policy towards Haitian asylum seekers, saying it was concerned over the fate of 500 Haitians who have been forcibly returned to the island, writes Stephen Fidler.

It called on the US to make sure that the 7,000 Haitians who have sought refuge in the US get a fair asylum hearing. The US holds that Haitians – unlike Cubans – are economic refugees rather than political refugees, and therefore have no right of asylum.

Amnesty said people attempting to leave the island had been severely beaten and arrested.

WORLD TRADE NEWS

US group near pact on Bangkok telecoms venture

By Hugo Dixon

NYNEX, the US telecommunications group, is in the final stages of concluding a joint venture to build and run a network with 2m lines for Bangkok, Thailand.

The total investment in the venture, in which the US company will take a 10 per cent stake, is estimated at $2.5bn (£1.39bn)-$3bn.

At one stage, it seemed as though the foreign partner in this venture, which has a controversial history, would be BT, the UK telecommunications operator. But the nature of the concession from the Thai government was altered after last year's political upheaval in the country.

The intention is that Nynex will join forces with the Charoen Pokphand Group, the Thai agro-industrial conglomerate, to build a modern network for Bangkok. The agreement is expected to be finalised in the next few weeks.

CP Group will own 90 per cent of the joint venture, TelecomAsia. As well as owning the remaining 10 per cent, Nynex will appoint senior executives and offer its experience in operating networks in densely-populated cities such as New York.

Mr Fred Salerno, Nynex's vice-chairman, said Thailand was a growth area in telecommunications. In Bangkok alone, there was a waiting list of more than 1m lines, meaning an instant market opportunity.

The network will be financed by means of a mix of equity, financing from equipment suppliers and income from customers. Nynex refused to divulge the size of its equity investment.

Mr Salerno said Nynex hopes to do more business in Thailand, where concessions are due to be awarded for providing networks in other parts of the country.

His company was also "keeping an ear to the ground", looking for opportunities in Cambodia, Vietnam, Laos and Malaysia.

Nynex already has projects to expand telecommunications networks in Indonesia and the Philippines.

US criticism baffles backers of patent rights draft

Intellectual property negotiators say it is as good a deal as they will ever get, writes **Frances Williams**

GATT

THE criticism being levelled at the Uruguay Round draft accord on intellectual property by the US pharmaceutical and film industries has left negotiators in Geneva baffled and irritated.

The general view is that the US has got as good a deal as it could have hoped for, and far better than it imagined was possible when the multilateral trade talks were launched in 1986. Then many developing countries were opposed even to discussing intellectual property protection under the auspices of the General Agreement on Tariffs and Trade (Gatt). Over the ensuing five years of negotiations their attitude has undergone a sea change.

The result is a 34-page draft encompassing all forms of intellectual property that would strengthen and harmonise standards of protection and provide for effective enforcement at national and international level. Among its main features are:

● Protection of patents for 20 years, regardless of place of invention or whether products are imported or produced locally. The main permitted exclusions would relate to animal and plant inventions and biotechnological processes for their production – thus Gatt would not require "patents on life". And there would be strict limits on compulsory licensing of patented products by governments, now commonly used for pharmaceuticals in rich countries as well as poor ones.

● Copyright would be protected for at least 50 years, to include computer programs and data compilations; authors of computer programs and films would, broadly speaking, have exclusive rental rights, as would performers and producers of sound recordings and broadcasts.

● Trademarks would be protected for at least seven years, and geographical indications, especially important for European wine producers, would also gain protection.

● Semiconductor layout designs would be protected for 10 years.

● For the first time, trade secrets would be protected from unauthorised disclosure.

All these rules would have to be implemented in national legislation by the 102 members of Gatt, observing the basic fair trade precepts of national treatment (equal treatment for domestic and foreign right-holders) and non-discrimination between trading partners.

A council on trade-related aspects of intellectual property rights (Trips) would supervise operation of the accord, sitting alongside Gatt and the envisaged General Agreement on Trade in Services under the umbrella of the proposed Multilateral Trade Organisation.

This represents a big concession by developing countries. Although the Trips council would be separate from Gatt, intellectual property disputes would be subject to the MTO's integrated disputes settlement machinery. In principle, therefore, countries could find themselves subject to "cross-sanctions" – reprisals on goods trade for breaches of the intellectual property accord – which third world nations had opposed.

On the other hand, the accord would require all signatories to abide by the MTO's disputes procedures, which would curb recourse by the US to the "Special 301" provisions of its Trade Act to secure concessions.

Threats of unilateral action under "Special 301" have undoubtedly scored some successes, most recently in obliging China to toughen intellectual property protection. Although the deal signed by China last week mirrors the international accord in most respects, it goes further in two areas where US industry now claims the Uruguay Round draft is deficient.

First, China (which would not be a party to the Trips agreement because it is not a Gatt member) has agreed to bring in the new rules starting this year. The very poorest (defined by the UN as "least-developed") countries, such as Burundi and Bangladesh, have an extra 10 years or more to implement the accord, most developing countries, such as India and Thailand, have been given five years and industrialised nations one. For areas where no patent protection exists, such as pharmaceuticals, developing countries have 10 years to put legislation into effect.

But for pharmaceuticals and agri-chemicals, the accord would require developing countries to permit the filing of patents from the time the agreement comes into force (probably 1993) and to treat them 10 years hence as if the legislation had been in effect from the start. Since drugs typically require upwards of 10 years' safety testing, those invented now would be protected at the point at which they came on the market. If they reached the market earlier, the patent-holder would be given exclusive marketing rights in the interim.

Not satisfied with this, the US pharmaceuticals industry wants protection for drugs already invented but not yet on the market, the second deficiency it sees in the draft. China last week agreed to give "pipeline" protection back to 1986, but Washington found no backing in Geneva for a similar multilateral deal.

"We've asked developing countries to accept a 10-year transition for liberalisation in textiles. It's simply not realistic to ask them to accept retroactive protection on patents," one European negotiator said.

Another sore point for the US involves a bilateral dispute with the European Community over allocation to artists and performers of proceeds from a levy on blank audio and video tapes. It argues that this system, now in operation in France and Germany, in effect discriminates against the US film and record industry.

Most other countries believe US industry is deluding itself if it thinks it can get a better overall deal through unilateral action than the draft multilateral accord. India, for instance, has firmly rebuffed US threats in the past.

Washington has significantly not so far sought to re-open the negotiations, but trading partners fear it could decide to do so if the EC presses its demands for changes to the Uruguay Round text on farm subsidy reductions. Then India will almost certainly dig in its heels on the textiles accord, and the "uncontrollable unravelling" of the Uruguay Round package negotiators dread could begin.

Hitachi TV projector output to move from US to Mexico

HITACHI, the Japanese consumer electronics group, will move the annual production of 70,000 TV projectors from its plant in Anaheim, California, to Tijuana, Mexico, by 1993, Damian Fraser reports from Mexico City.

The decision confirms Tijuana's leading position as an electronics assembly centre, but may be seen by opponents of the proposed North American Free Trade Agreement as evidence that closer economic integration with Mexico leads to lost US jobs.

The news follows a similar decision last year by Zenith, the US electronics company, to close its Springfield, Missouri, plant, employing about 1,000, moving it south of the border. Hitachi's California plant has 250 employees.

Hitachi said it was closing the California plant because of lower wages in Mexico, which put total production costs in Tijuana at about 15 per cent of those in Anaheim.

Tijuana is already one of the world's largest centres of TV production, and includes plants owned by Goldstar, Toshiba, Samsung, Sony, Sanyo and Matsushita.

● Mr Peter Lilley, UK trade and industry secretary, has offered Mexico's oil sector British "equipment, contractors and experience in deep waters", and said he was "certain" Mexico would reduce curbs on foreign investment in petrochemicals soon.

Mr Lilley, on a trade mission to Mexico, stopped short of asking for the changes in Mexico's constitution that would allow the British experience to be fully taken advantage of. Mexico was going to enjoy an economic miracle in the 1990s, just as Britain had in the 1980s, he added.

Brazil launches drive to boost tourist industry

By Christina Lamb in Rio de Janeiro

BRAZIL is launching an aggressive marketing campaign to recuperate its flagging tourist industry.

Mr Ronaldo de Monte Rosa, head of Embratur, the state tourist authority, plans to double the number of tourists and increase income from $1.4bn to $3bn (£1.6bn) over the next five years. "I want to seize the opportunity of the Earth Summit [to be hosted by Rio in June] to relaunch Brazil as a tourist destination," he says.

To encourage investment, credit lines have been made available by the National Development Bank. Tourism is to be declared an industry, giving investors incentives in terms of reduced import tariffs and energy rates.

Brazil might seem to be the ideal tourist location: 4,600 miles of beaches, the world's largest rainforest. But in the past five years, the number of tourists has fallen from 2m to 1.08m, as potential visitors are deterred by social problems caused by economic crisis.

Embratur has decided to fight back against the wave of bad publicity focusing on Rio's violence by setting up offices overseas to inform the world about the Indian reserves and Brazilian food and music. Mr Monte Rosa's aims are to rescue Rio and show the world what else Brazil has to offer, "focusing on the north east and Amazonia".

Despite Brazil's many natural advantages, this is no easy task. Mr Monte Rosa has finally persuaded Rio's state government to invest in a "security for tourists" programme, by showing that it has lost $400m a year for the past five years in tourism revenue. But he would like to divert tourists to Amazonia and the north-east, Brazil's poorest but most scenic and culturally rich area.

Matra wins Korean missile deal

FRANCE'S Matra Defense has won a FFr1bn (£100m) contract to supply Mistral light anti-aircraft missiles to the South Korean government, in a deal that will also involve industrial co-operation with Goldstar, the South Korean electronics giant, Matra said yesterday, AP-DJ reports from Paris.

Mr Jean-Paul Gut, head of the Matra subsidiary's international operations, said the Korean contract is the first stage of a multi-phase procurement programme for the Korean armed forces over the next four to five years.

The Korean order marks the entry of Matra as a defence supplier in Asia and is the first of five to be announced from the region.

Matra has targeted Korea, Singapore and Malaysia as priority areas for its defence activity and has opened sales offices in New Delhi, Hong Kong, Seoul, Singapore, and Beijing.

Mr Gut said Goldstar and other South Korean partners will carry out roughly 25 per cent of the work on the Mistral missiles. The contract also includes a more general transfer of technology to the Koreans.

Amoco $300m for new wells

AMOCO Trinidad Oil Co, a subsidiary of Amoco of the US, is to spend $300m (£167.5m) to exploit new gas wells and increase supplies to its clients in the Caribbean state, Canute James reports from Kingston.

Amoco Trinidad will boost delivery to Trinidad and Tobago's National Gas Company from the current level of 200m cu ft of natural gas per day to 350m cu ft per day by 1996.

The new supply contract replaces an earlier agreement signed by Amoco and NGC, and will expire in the year 2000. It is one of two contracts for gas sale which Amoco has in Trinidad and Tobago. The other is to supply 80m cu ft of natural gas daily to the Trinidad and Tobago Electric Commission until 1994.

Amoco Trinidad is the main producer of natural gas in that country, accounting for 80 per cent of national production. It is also a major player in Trinidad and Tobago's oil industry, producing an average of 72,000 barrels of crude a day.

Trinidad and Tobago has proven gas reserves of 10.3 trillion (million million) cu ft. According to the government, extractable reserves amount to about 7.6 trillion cu ft. Gas production in 1990, the latest year for which figures are available, was 1.97bn cu ft, 7.7 per cent less than 1989.

GCC greets petrochemicals offer by EC

The six-nation Gulf Co-operation Council (GCC) yesterday welcomed an EC offer to let in more petrochemical imports under a planned free trade deal, Reuter reports from Brussels.

The European Commission revised its proposals last year after the GCC demanded better access to EC markets for certain industrially-sensitive petrochemicals, subject to special tariffs and quotas. GCC members are Saudi Arabia, Kuwait, Qatar, Oman, Bahrain and the UAE.

Diplomats said the EC, which wants greater access to expanding Gulf markets and to cement relations with this strategic region, was encouraged to liberalise its position following the 1991 Gulf War. EC officials said the offer included shorter time limits on raising quotas and cutting import duties, with special arrangements to liberalise trade in sensitive petrochemicals.

UK likely to lose European ruling on water

By David Gardner in Brussels and **John Hunt** in London

THE EUROPEAN Court of Justice is likely to find the UK guilty of failing to comply with EC law on drinking water purity after the court's advocate general yesterday endorsed two of the charges brought against Britain by the European Commission.

The move is a severe political embarrassment to the British government, which is trying to emphasise the success of its environmental policy ahead of a general election.

It came as Mr Michael Heseltine, environment secretary, was in Brussels talking to Mr Carlo Ripa di Meana, environment commissioner, about the British presidency of the EC in the second half of this year. The court's judgment, likely to be made around Easter, will do little to improve relations between the UK and the Brussels environment authorities.

These were badly soured last October when Mr Ripa di Meana asked the UK to halt seven large construction projects until it was established that they had complied with a directive requiring environmental impact studies to be carried out.

Yesterday's opinion said the UK had not adequately transposed the 1980 directive on drinking water into national law and that water in eastern England contained nitrates above the 50 milligrams per litre limit laid down in the directive.

But it said a complaint about lead pollution in Scottish water should be dismissed for insufficient evidence. Court judgments usually follow the advocate general's opinion.

Mr Heseltine declined to comment on the dispute after meeting Mr Ripa di Meana. But he said Britain had one of the best records in complying with Community regulations.

In London Mrs Ann Taylor, Labour's spokeswoman for environmental protection, said: "The EC ruling shows the government is granting licences to pollute and the water companies are putting profits before pollution controls."

The Water Services Association, representing the 10 big water and sewage companies, said that even where nitrates were above the levels in the directive they were well within limits laid down by the World Health Organisation and all supplies were safe to drink.

The separate row over environmental impact assessments will be given a new twist next Wednesday when the Commission is set to approve a new directive extending these assessments to national policies such as transport in addition to specific projects.

Campaign trail: David Mellor, left, takes the stage with Chris Patten, Tory chairman, to attack Labour plans

Tories launch fresh assault on Labour

By Philip Stephens, Political Editor

THE ruling Conservative party stepped up their assault on Labour's economic strategy yesterday with a revised costing which puts the eventual price of the opposition's public spending pledges at £37bn a year.

The costing – carried out by government officials but with the interpretation of Labour's plans provided by ministers – will provide the basis for another sustained campaign against the opposition's tax and spending policies.

Mr David Mellor, chief secretary to the Treasury, claimed that if Labour raised the basic rate of tax from 25p to 35p, taxpayers could be up to £2,625 worse off.

Mr Mellor insisted the figures were based on a rigorous analysis of Labour policy documents and statements.

Labour angrily rebuffed the Conservative calculations. Mr Gordon Brown, the party's trade and industry spokesman, said they were "full of errors, riddled with falsehoods, exaggerated, compounded and multiplied by bogus figures."

He said that beyond Labour's specific spending commitments on child benefit and pensions, any additional spending would depend on economic growth.

Mr Tony Blair, Labour's employment spokesman, said he had found £3bn of errors in his area of responsibility alone, including an exaggerated cost for Labour's planned minimum wage.

Mr Mellor, meanwhile, poured scorn on the oft-repeated assertion by Labour leaders that the party's only firm pledges were to raise child benefit and pensions. He cited scores of other commitments.

They ranged from a promise to equalise retirement age at 60 (estimated cost £3bn a year), to the £100m it would cost to introduce a no-fault compensation scheme for NHS patients.

BRITAIN IN BRIEF

British Coal to cut 1,100 mining jobs

British Coal said it would cut around 1,100 jobs at four collieries in West Yorkshire, northern England. Without the cuts the four pits – Kellingley, Prince of Wales, Sharlston and Whitemoor – would be priced out of the market by March next year, the state-owned corporation claimed.

Mr Alan Houghton, director of British Coal's Selby group which includes the four pits, claimed the pits would become uncompetitive early next year if there were no job cuts yesterday. In March 1993 British Coal must sell coal to the privatised electricity industry for the first time at prices closer to world market levels.

The numbers of jobs likely to be lost emerged at a meeting between British Coal and union officials in the region.

Mr Ken Capstick, vice chairman of Yorkshire National Union of Mineworkers (NUM), said: "This is not rationalising the industry, it's butchering."

Nationwide censured

Nationwide, the second largest home loans and savings institution, has been ordered to pay compensation to an investor who lost money because Nationwide publicity failed to make it clear that a better savings account existed than the one she was investing in.

The Building Society Ombudsman, however, ruled against a second complaint by another investor that he had lost money because a slightly better 90-day account had been introduced during the period in which he was required to give notice before withdrawing his money.

"Fundamentally it is up to people to look after their own investments," Mr Stephen Edell, the Building Society Ombudsman, said yesterday. "Investors should be vigilant about their investments, but I don't think that building societies ought to hide the interest rates paid on closed accounts."

Demand for loans subdued

Demand for borrowing remains subdued in Britain, providing little sign of any imminent recovery from the recession, according to new Bank of England figures.

Lending to the private sector grew last month by a seasonally-adjusted £1.1bn, roughly half the figure estimated in the City, while growth in the supply of money in the economy remained weak.

The figures indicate that the desire of companies and individuals to reduce debts, rather than take on new credit, will continue to hold back the economy.

Strike threat at tractor plant

Shop Stewards at Ford New Holland, the tractor maker owned by Fiat and Ford, have decided to organise selective strike action in an attempt to get improvements in a three-year pay offer providing 4 per cent in the first year.

Mr Dave Vos, convener, would not say what form the action would take or when it would happen, but on Monday he mentioned the possibility of one and two-day strikes.

The 1,600 manual workers who have been made the offer oppose the duration of the deal and the company's proposal to introduce temporary workers. Skilled workers want financial recognition for new responsibilities.

Motor adverts criticised

The latest report of the Advertising Standards Authority has found particular cause for complaint with the motor industry.

The ASA upheld complaints received in November against Citroen UK, for inaccurately suggesting the superiority of some aspects of a Citroen 1.4 litre Avantage to a Ford Escort 1.4LX.

Further complaints were upheld Peugeot Talbot for a claim concerning the environmentally 'clean' nature of diesel engines against conventional petrol engines fitted with catalytic converters; and against Seat UK for an advert with a slogan featuring one car priced at £5,444, yet a photograph featuring an up-range model costing £8,099.

West Midlands 'depressed'

Uncertainty over the outcome of the forthcoming general election is depressing confidence and holding back a growth in demand, say west Midlands business leaders.

"There is a certain amount of fear about what is going to happen. This is bound to create some degree of uncertainty," said Mr Bryan Townsend, chairman of Midlands Electricity and vice-chairman of the West Midlands regional council of the Confederation of British Industry.

The council brings together the major manufacturing and service companies in a region whose economy is more dependent than any other in the UK on the health of industry.

Postal jobs for Belfast

The Post Office is creating 300 new jobs in Belfast with the opening of a national processing centre to handle badly addressed mail from all over Britain.

The new handling centre for "undeliverable" letters will be based at Donegall Quay, part of the Laganside inner city redevelopment area.

Computer technology will be installed to enable staff to track down the centre's address, re-envelope the letters, and return them to the sender – at no additional cost to the customer.

Business club network planned

Plans for a nationwide network of small business clubs have been announced in London. Durham Small Business Club, which is promoting the idea, hopes that the new network will start to operate with an initial roll-call of 20 member clubs on April 1.

Small Business Clubs Nationwide, as the new network has been named, is intended to cater for small established businesses, many of which find that the chambers of commerce are too expensive or too formal for their needs.

Supergun inquiry may hear evidence in private

By Neil Buckley

THE Ministry of Defence was yesterday believed to be insisting that an official who interviewed suppliers of parts for the Iraqi "supergun", due to appear before the House of Commons trade and industry committee today, be allowed to give evidence in private.

Mr Alan Clark, defence procurement minister, was summoned before the committee yesterday to discuss the testimony of Mr Bill Weir, an MoD materials expert. A decision would be made this morning, Mr Ken Warren, chairman of the committee, said.

Mr Warren said he was taking Mr Clark's advice on whether the inquiry risked straying into areas of "classified information".

Officials of Walter Somers, the Midlands-based metallurgical company, yesterday admitted to the committee that the company had had two separate contracts with Iraq for the supply of 10 metre-long tubes, and not one as previously thought.

The company believed both were for a petrochemical project, but it now appears that the first tubes were for a scaled-down prototype of the Iraqi supergun, codenamed Project Babylon, designed to launch satellites into space. The second was for an adaptation of the project, intended for use as a long-range weapon.

The two phases of the project were described to the committee last week by Dr Christopher Cowley, a metallurgist who worked with Canadian arms expert Dr Gerald Bull on the design of the supergun.

Dr Rex Bayliss, former managing director of Walter Somers, reiterated that he had fears that the original specifications were "moving towards the military end", and thought the tubes looked like a "giant peashooter". The tubes were also of an unusually fine finish and high tolerance for a petrochemical project, but the tubes' flanges and boltholes had led Dr Bayliss to believe they were not for a gun.

Dr Bayliss did speak, however, of his fears to Sir Hal Miller MP, who in turn contacted the DTI, the Ministry of Defence and "another agency", believed to be British intelligence.

In spite of receiving phone calls from a Mr Stedman, the head of the DTI's export licence unit, and from Mr Weir, to whom he gave full specifications of the contracts, Dr Bayliss said he was never told not to go ahead with production.

● Earl Howe, speaking for the government in the House of Lords – Britain's upper chamber – said yesterday Britain could not abandon its nuclear deterrent while developing countries were developing such weapons.

Earl Howe said: "We must insure against the worst. That insurance is adequate nuclear defence. Now is not the time to drop our guard."

He said the plan for four submarines carrying the Trident nuclear missile "is the minimum requirement for it to be a deterrent".

LLOYD'S OF LONDON

Council isolated on opposition to new reforms

By Richard Lapper

THERE are signs that the leadership of Lloyd's of London is increasing isolated in opposing proposed reforms in the way the market is run.

With feeling running high among the market's underwriting and broking businesses, the Lloyd's Council, the market's governing body, could be forced to back track on its initial rejection of a proposal that its responsibilities for business development should be handed over to a new market board controlled by Lloyd's agents.

In its 240 page report, published last week, the 14-man task force also recommended that the Council's independence as a regulator be reinforced by the appointment of an independent chairman.

On Monday Mr Alan Lord, chief executive, and Mr David Coleridge, chairman, reiterated their opposition to the task force proposals on governance, which Mr Lord described as "unworkable."

The Council's rejection was greeted with surprise by Lloyd's agents yesterday. Mr Paul Archard, chairman of the Lloyd's Underwriting Agents Association which represents over 150 agencies, said he was "amazed" by the decision.

"The governance chapter of the task force report is fairly fundemental to other things we want to achieve."

"I haven't spoken to anyone who thought that the Council was right," said Mr Nigel Rogers, managing director of Octavian Underwriting Agencies, one of the most rapidly growing Lloyd's agency groups. "The groundswell of opinion means that they will have to reconsider," he added.

Mr Alan Colls, chairman of the Lloyd's Insurance Brokers Committee, said he was surprised by the Council rejected the proposal. "I wonder whether they understand what the task force is trying to get at,"

One long-time observer of Lloyd's affairs said: "They're prepared to tell everyone else to put their house in order but will do nothing with their own."

The Association of Lloyd's Members (ALM), which represents more than 9,000 Lloyd's Names, the individuals whose assets provide the market's capital, says it will campaign to press the Council to reverse its decision.

Mr Val Powell, the chief executive of the ALM, commented: "We are in round three and the boxing could get pretty dirty."

Names will be urged to attend meetings being convened by Lloyd's next month to register their opposition to the Council's rejection of the governance proposals.

The ALM favoured the task force's proposals which it saw as an analogous to the two-tier boards common in Germany, with the Council and new Market Board playing roles analogous to those of supervisory and management boards.

The market board was necessary because the business has "not been driven properly. If it had been working we wouldn't be where we are now."

Meanwhile Professor John Kay, of the London Business School, who helped draft the reform proposals, stressed that recommendations for a division of the Council's regulatory and executive management roles was crucially important.

"I can't think of any business structure where they are combined," he said.

Car buyers prefer not to haggle, report finds

By Kevin Done, Motor Industry Correspondent

THREE out of five new car buyers would prefer to have a lower, fixed basic price for a car, rather than a higher price from which they have to negotiate their own discount, according to the 1992 Lex Report on Motoring.

The study, based on a MORI survey of nearly 1,300 regular drivers in 160 locations throughout the UK, claims that only a minority of car buyers like to bargain with a car salesman to get a good deal.

The findings appear to support the initiative taken last autumn by Vauxhall, the UK subsidiary of General Motors, which lowered the dealer margins and prices of some new models in order to reduce the "haggling" in car purchasing.

The Lex study says that men feel more comfortable bargaining with car salesmen, with 50 per cent of men saying they enjoy it compared with only 28 per cent of women.

According to the report:

- ● 78 per cent of motorists would support a policy of random breath testing;
- ● 83 per cent support the idea of using cameras at traffic lights to catch people going through red lights;
- ● 85 per cent support the inclusion of eye tests for night vision in the driving test;
- ● 71 per cent support the idea of using cameras to read the number plates of speeding vehicles, and
- ● 97 per cent would support a policy to compel sellers of second hand cars to disclose known faults to the buyers.

Lex Report on Motoring, Lex Service plc, Lex House, 17 Connaught Place, London, W2 2EL. Price £175.

Airlines cut transatlantic air fares

THE TRANSATLANTIC air fares war burst into life again yesterday as British Airways and American Airlines slashed their lowest return fares from London to New York by almost a quarter to £229, writes Daniel Green.

Within hours, their main US rival, United Airlines, announced it was making a similar price reduction. American Airlines said it cut fares "in response to off-tariff prices which are generally available." These are sold by discount travel shops.

United said: "We will match fares that threaten our competitiveness." The Civil Aviation Authority, which vets proposed new fares in the UK, has not yet approved the £229 tickets. Senior CAA staff said, however, that the new price was unlikely to be blocked.

Bidder for airport to be offered £1m loan

By James Buxton, Scottish Correspondent

A CONSORTIUM bidding for Prestwick airport in Scotland from BAA, formerly British Airports Authority, is to be offered a loan of up to £1m on concessionary terms by Strathclyde regional council.

Ayrshire Community Airport Project (Acap), said it hoped shortly to conclude an agreement with BAA. On Monday the dominant Labour party group on Strathclyde regional council agreed to offer Acap £1m over four to five years at 11 per cent interest.

Acap said Federal Express, the US freight distribution company which uses Prestwick, had an option to take a stake in Acap and put a nominee on its board.

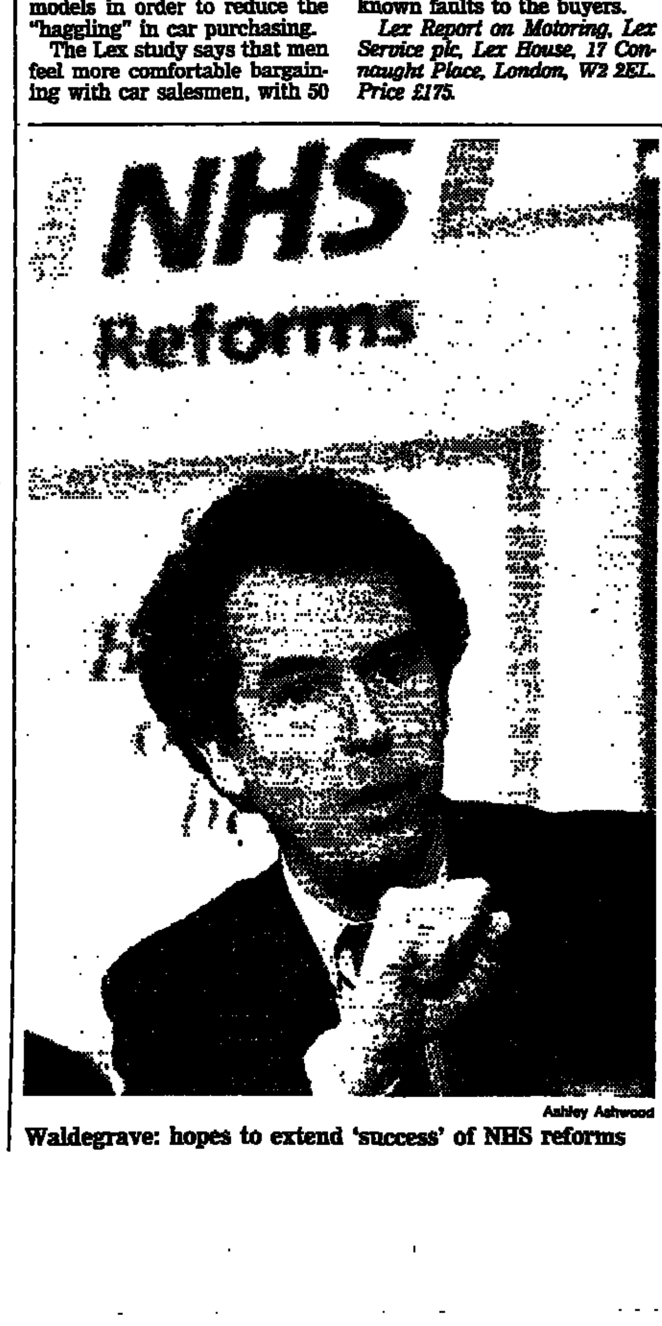
Acap is chaired by Mr George Younger, chairman of the Royal Bank of Scotland and Conservative MP for Ayr.

Two other companies are interested in acquiring Prestwick, which suffered a drastic fall in passenger traffic when the government removed its monopoly on transatlantic flights from Scotland in March 1990, causing several airlines to transfer operations to Glasgow.

Last week AAP, a company controlled by Mr Peter Kay, a businessman based in Scotland, submitted a cash offer of £4.75m to BAA.

British Aerospace (BAe), whose commercial aircraft division has a plant at Prestwick, is also talking to BAA. It needs to protect its access to the runway at the airport.

Federal Express would not comment on the claim that it had an option to buy a stake in Acap. It said it would work with the successful bidder, whoever it was.



Ashley Ashwood
Waldegrave: hopes to extend 'success' of NHS reforms

Doctors edge towards financial independence

John Willman examines the debate over the extension of health service reforms

MORE of Britain's family doctors will be able to buy medical treatment on behalf of their patients following the government's announcement yesterday that controversial reforms of the state-run National Health Service (NHS) are to be extended.

But both the opposition Labour and Liberal Democrat parties said they would end the practice, known as fundholding. "The next Labour government will end GP fundholding; we will do it because we will not tolerate two-tier lists on which the length of time you wait depends on your GP's budget," said Mr Robin Cook, Labour's health spokesman yesterday.

Another 5,000 general practitioners (GPs) will be able to become fundholders, which allows them control over the budget for treating patients of theirs with a range of conditions. Several pilot projects are to be launched aimed at improving the operation of fundholding and extending the benefits to all GPs.

Mr William Waldegrave, the health minister, told the House of Commons that the first wave of GP fundholding practices had been a "clear success". The changes he announced were designed to "allow advantages of fundholding to be enjoyed by more patients and doctors".

He thanked Mr Cook for delivering to the Tories the votes of "the majority of GPs in the country" through his opposition to fundholding. "I am making this extension because of the pressure from GPs . . . This is a voluntary scheme which has people queueing up to join it," he said.

The British Medical Association welcomed the announcement as a "step in the right direction".

The fundholding provisions have been one of the most contentious parts of the health service reforms launched by the government in April 1991. Those reforms took away the right of family doctors to refer patients to the hospital of their choice. Under the new system, most GP practices could refer patients only to hospitals and organisations with which the government-funded district health authority has taken out contracts for services.

Some 1,700 GPs in larger practices, however, were allowed to become fundholders controlling part of the budget for treating their patients. These GPs can refer their cases – around 7 per cent of all NHS patients – to the hospitals of their choice.

The freedom of referral which fundholding practices enjoy extends only to a limited range of conditions. These include minor and elective surgery, such as corneal grafts, hernia repairs and varicose vein stripping. Operations costing more than £5,000 are outside the control of the fundholders.

But these operations are often the ones with the longest waiting lists, and therefore ones which users of the NHS are most unhappy with. Critics predicted that a two-tier health service would be created by the fundholders, who would use their control of budgets for operations to buy faster treatment for their patients, at the expense of the rest.

This indeed seemed to happen, as some hospitals began to offer special deals to patients of fundholders – including shorter waiting times. The government moved quickly to change the rules, but the impression persisted that fundholders' patients enjoyed benefits denied to others.

That impression was reinforced by the experience of the general practitioners who have become fundholders. The west London practice of Dr Ian Wild and partners who became fundholders last April shows just how their freedom to refer has been used for the benefit of patients.

Even though the practice cannot buy shorter waiting times than non-fundholding practices, it still has the freedom to shop around on behalf of patients for the best deal. And the practice has been able to use its budget to arrange for various services previously available only through hospitals to be offered to patients at the local health centre.

This picture is reflected in a study carried out for the King's Fund Institute by Professor Howard Glennerster of the London School of Economics. This finds that fundholding has shifted the balance of power within the health service from the consultant to the GP. The conclusion is that fundholding has often improved the quality of health service experienced by the patient.

Labour is pledged to restore GPs' freedom to refer patients to the hospital of their choice. Mr Cook believes that GPs will lose interest in the additional bureaucracy of fundholding and he may be right – and the BMA is quick to point out that many of Britain's family doctors do not want to become fundholders.

Mr Waldegrave's announcement yesterday, however, may offer the first signs of a compromise which would allow Labour to retain some element of fundholding without abandoning its opposition to a two-tier health service.

First, Mr Waldegrave is altering the rules so that more family doctors can become fundholders. From April 1993, the minimum size of fundholding practice will fall from 9,000 patients to 7,000. This would enable many more practices to participate, and not just the very largest ones.

And there will be a number of experiments to see whether GPs at present outside the fundholding arrangements can be given more control over operations. This would enable smaller practices and those which are not interested in fundholding to band together and influence the way that the district health authority places contracts on behalf of patients.


EVEN MORE EXCITING
THAN THE CHANGES
IN EUROPE
ARE THE CHANGES
ABOVE EUROPE.

BUSINESS AND THE ENVIRONMENT

Rocky road to Rio

The term "sustainable development" has become an international buzzword in the run up to the United Nations Conference on Environment and Development – the Earth Summit – to be held in Rio de Janeiro in June.

The term is defined as "economic development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

But a new survey by SustainAbility, a UK environmental consultancy, demonstrates that the road to Rio is still very rocky and uphill. "Not surprisingly the debate about sustainable development has so far taken place mainly at the rarefied international level," it says. "Most local activists and ordinary business people are still not actively involved."

The study found that some environmental organisations were rethinking their position on whether they can or should work with business and industry. But there was still a considerable amount of reluctance.

In discussions with the World Wide Fund for Nature in Geneva the researchers found that the organisation was split on the extent to which its various national branches should work with business.

"There is absolutely no hope in terms of ecological leadership or vision in the political or business communities," said David Suzuki of the University of British Columbia.

Tony Cleaver, chief executive of IBM UK, was more positive. He thought the most hopeful sign was "the increased awareness of environmental issues, both in business and in politics, coupled with the increasing belief that it is possible to marry economic growth and environmental responsibility".

Environmentalists rated chemicals and power generation as the main problem industries, followed by the petroleum industry and public and private transport.

John Hunt

The Green World Survey, SustainAbility, 91-97 Freston Road, London W11 4BD.

Peter Knight describes why companies are setting up panels to assess environmental performance

Advice to turn a director green

Environmental advisory boards, sometimes called panels or councils, are becoming an increasingly popular way for business to tap into environmental expertise and keep up with trends. Advisory boards are designed to be independent and are composed of company outsiders, such as academics and luminaries.

Last year US-based multinational Dow Chemical set up what it calls a Corporate Environmental Advisory Council which will eventually consist of up to 14 members from around the world. It will meet three or four times a year.

"We recognise that the public has a right to know what we are doing and a right to contribute to our decisions-making process," said Frank Popoff, Dow's president and CEO at the council's launch.

Waste Management, another US-based company which operates in 14 countries, is establishing a similar but smaller board of up to seven members. "It's going to make some folks in the company uneasy, but we have to look at ourselves in the mirror. It would be arrogant to say that we have all the answers. We have to listen to the panel," says David Stringham, director of government affairs for Waste Management Europe.

Shanks & McEwan, the UK based waste-management and incinerator operator, has been advised by an environmental board since 1989. The board is an integral component of the group's environmental policy and acts, together with a formal quality assurance scheme, as a check on the company's environmental performance.

"An environmental policy is just a page of nonsense unless you have a management structure that makes it work," says Roger Hewitt, Shanks's chief executive.

Financial institutions which offer environmentally-screened investments use boards – usually called screening committees – to vet their investment decisions and to lend credibility to the scheme. The TSB, for example, has a committee chaired by David Bellamy, the botanist and TV celebrity.

Consumer panels are another variation on advisory boards. These are usually groups of people representing a cross-section of a company's customers. BT, the UK's main telephone company, runs three specialist panels, including one on environmental issues.

"The panel enables us to look outwards – to test our policies against outside views," says Jan Walsh, manager of BT's corporate customer relations.

Companies usually use consultants to help choose board members and then to set up and sometimes run the advisory board's affairs. Shanks's board was established with the help of Pamela Shimell, managing director of London-based Industry and Environment Associates.

The cost of setting up the board and then servicing it is composed mainly of the time and effort expended by management. To ensure independence board members are usually paid only a small fee and sometimes just get expenses. To guarantee their independence some experts, like Tim O'Riordan, professor of environmental sciences at the University of East Anglia and a member of Dow's council, refuse any form of payment.

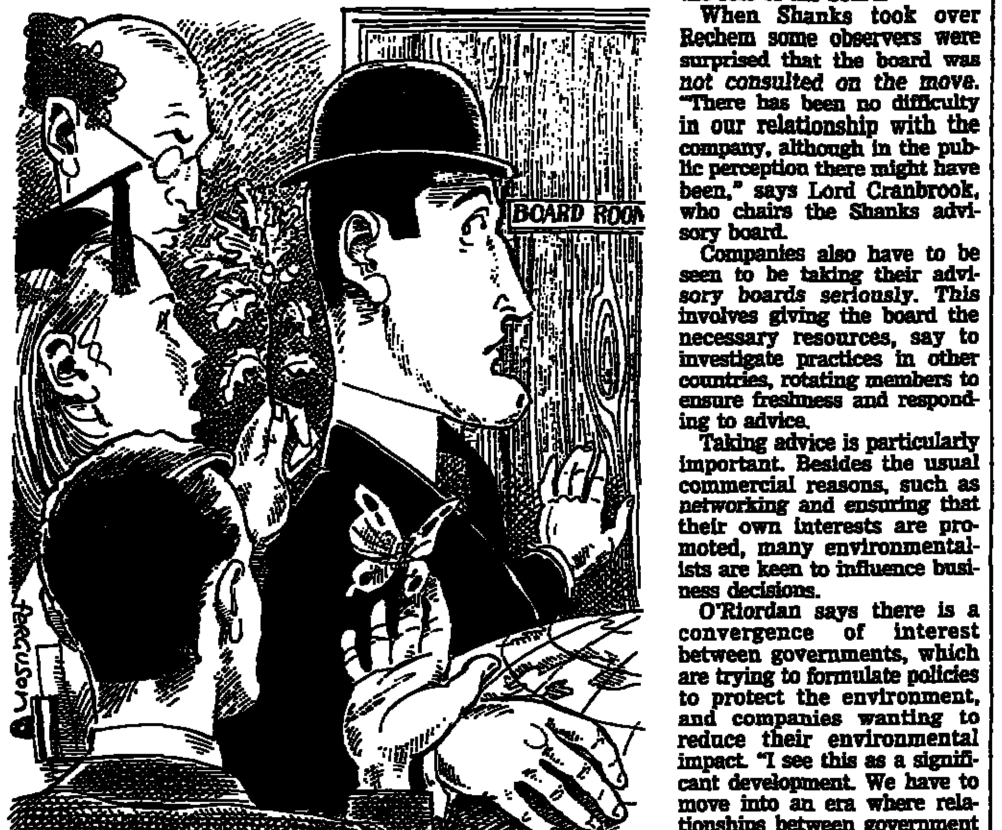
Hewitt says the total cost of Shanks's board (including administration and company time) is only about £100,000 a year, which he considers to be good value. "We pay each member a pretty poor fee compared with non-executive directors."

However, Stringham of Waste Management says top people should be properly paid for their time. "Top-notch people do not come cheap and we are talking well into six figures to set up our environmental board."

Shimell says paying board members does not necessarily lead to compromise. "If you choose people of a high enough calibre then they would not be compromised by being paid. They would prefer to resign."

The effectiveness of boards appears to hinge on two factors. First, the quality and independence of the people who serve on them. And second, the willingness of the company to establish a structure which encourages frank and timely discussion.

This is because the company is very much in charge of the board. It not only chooses the



members and sometimes pays them, but it also often sets the agenda for meetings and controls the information needed by the board. It usually acts as the board's secretariat too.

Unless the company is fully committed to its advisory board and is willing to listen to unpalatable advice, the board's work can be obstructed easily. This could be done by, say, being slow to produce information. Because there is a long gap between board meetings – usually held quarterly – delays in getting timely information can seriously reduce the board's effectiveness.

There might be some exceptions, but most companies see their advisory boards neither as watchdogs nor as ombudsmen. The businesses want to be kept abreast of environmental issues so that they can plan for shifts in the market. And some companies, such as Shanks, want the board merely to comment on main board decisions.

Although some companies say they use their boards to help formulate strategy, they only mean this in the most abstract sense. Hewitt, for example, sees no role for the advisory board in helping to decide company strategy. When Shanks recently bought Rechem, the high-temperature incinerator operator, the board was only told after the event.

"We cannot make an external body party to price-sensitive information. We cannot discuss general or specific strategy with them because it would turn outsiders into insiders," says Hewitt.

Enhancing public image is another benefit of advisory boards – the company is seen to be taking its environmental performance seriously. But this can also work against the company if disgruntled board members choose to talk to the press and analysts. Resignations, for example, can be viewed as a symptom of problems within the company. This underlines the need for the company to make the public understand the role of the board.

When Shanks took over Rechem some observers were surprised that the board was not consulted on the move. "There has been no difficulty in our relationship with the company, although in the public perception there might have been," says Lord Cranbrook, who chairs the Shanks advisory board.

Companies also have to be seen to be taking their advisory boards seriously. This involves giving the board the necessary resources, say to investigate practices in other countries, rotating members to ensure freshness and responding to advice.

Taking advice is particularly important. Besides the usual commercial reasons, such as networking and ensuring that their own interests are promoted, many environmentalists are keen to influence business decisions.

O'Riordan says there is a convergence of interest between governments, which are trying to formulate policies to protect the environment, and companies wanting to reduce their environmental impact. "I see this as a significant development. We have to move into an era where relationships between government and big business is complementary. The secrecy has to go," he says.

Lord Cranbrook is pleased with the achievements of the Shanks's board. "I genuinely believe that some of the things we have suggested have caused a change of view in the company."

He says the board meetings also have to be fun. The Shanks board, for example, meets every quarter, usually for two days. The members have dinner and are then addressed on a "waste-related topic". The board also visits a company site, such as a landfill operation.

"We have had an astonishing rate of attendance," says Lord Cranbrook, who obviously has the midas touch when it comes to making waste fun.

Pouring salt on wounded roads

By Bernard Simon

Snow and ice are only part of the nuisance of a northern winter. Equally annoying are the vast quantities of salt spread on roads, pavements and driveways after every fresh snowfall.

Local authorities in the northern US alone apply about 10m tonnes of rock salt to roads each winter. The Canadian province of Ontario uses 1.2m tonnes a year.

But keeping the arteries of commerce open comes with a heavy price. The smell and taste of salt hangs in the air for days after it has been applied. It penetrates coats and gloves. Salt even spoils a dog's winter walks by getting into its paw pads.

More serious are the enormous financial costs caused by salt corrosion. Ontario's ministry of transportation estimates that environmental damage caused by salt adds up to between 10 and 20 times the cost of the salt itself.

A committee of the US Transportation Research Board (a division of the Washington-based National Research Council) concluded in a report published last week that the motor industry spends \$1.9bn-\$2.9bn (£1bn-£1.6bn) a year on corrosion-resistant materials and coatings for trucks and cars.

'Salt has caused more bridge deck deterioration than any other factor'

Repairs to rusted bridges and parking garages in the US Northeast and Midwest are estimated at \$200m-\$500m a year. The study notes that over the past 30 years "road salt has caused more premature bridge deck deterioration than any other factor".

Much of the damage caused by salt is not easily quantifiable. Road maintenance agencies blame salt for stunted growth, falling leaves and needles and sometimes dying limbs in about 5-10 per cent of roadside trees. Local governments in the US spend about \$10m a year to keep salt out of drinking water. Despite the damage, no acceptable alternative to salt has yet been found.

Many airports, concerned about the corrosive effects of chloride-based de-icers on aircraft fuselages, use urea to keep their runways clear. But urea costs about 10 times as much as salt, leaves a slippery film and is not effective in very cold temperatures.

Many municipalities have tried sand, which is an abrasive rather than a de-icer. According to Max Perchanok, a scientist with the Ontario ministry of transportation: "Sand is OK – if you're prepared to drive at 50 km per hour over a bumpy surface."

Salt's most recent challenger is calcium magnesium acetate (CMA), a compound produced by a reaction between dolomitic lime and acetic acid. Less corrosive and less damaging than salt to the environment, CMA comes closer than most materials to matching salt's de-icing power. But it costs [illegible] times more than salt, and needs to be applied in greater quantities to be effective.

The National Research Council study concludes that: "The use of CMA as a more general replacement for sale is unlikely and unwarranted . . . In all likelihood, sodium chloride, or common salt, will continue to be the predominant highway de-icer for many years."

The best hope for those worried about the damage caused by salt may be the current squeeze on local authorities' budgets. Several cities are cutting back on the quantity of salt spread on roads after a snowfall.

Toronto's public works department has cut its salt use by more than half so far this winter, even though the city has had 12 cm more snow than last year.

Public works commissioner Nick Vardin says that instead of ordering salting trucks to go out when the snow starts, he now makes more use of snow ploughs.

Furthermore, the trucks now leave many stretches of road unsalted, concentrating on the parts where salt is most needed, such as highways, busy intersections and the streets outside schools. "I haven't had any complaints," Vardin says.

MANAGEMENT

Priestess of the black art

Alan Cane meets Ellen Hancock, the most senior female executive at IBM

Do not be lulled by the open, pleasant manner and quiet tone of voice. Nobody reaches the upper echelons of management within International Business Machines without both talent and determination and Ellen Hancock, IBM's most senior woman executive seems to have both.

She listens to questions with intense concentration and replies with short bursts of information, reminiscent of the data communications systems in which she is an expert.

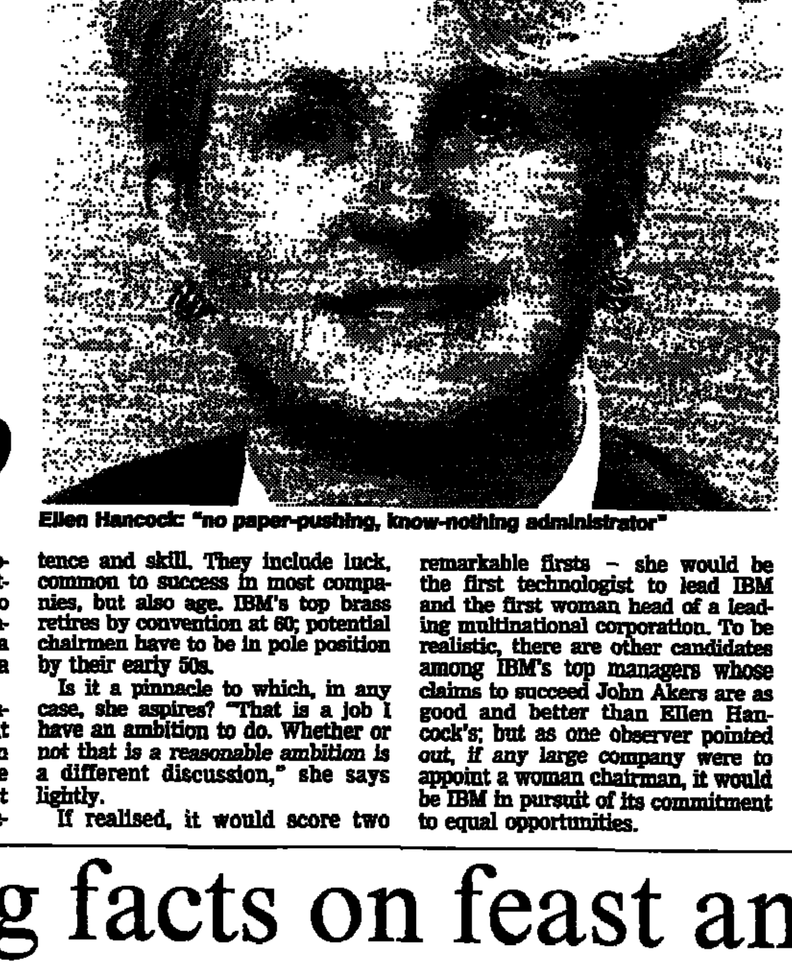
She has a technician's attention to detail. She laughs easily but without frivolity; her staff have a healthy respect for the acid side of her tongue: "A confrontation with Ellen on a bad day is like running into a bandsaw", a former colleague winced.

Hancock, still on the right side of 50, is now a corporate vice-president and general manager of IBM's networking systems division, an area which remains a black art to outsiders – even to those in the computer business. But it is a position that puts her, theoretically at least, within reach of the top job in the corporation.

That makes her one of most senior women in world business, perhaps the most senior. How much higher can she go? These days, the question is given added pique by the commercial pressures with which IBM is struggling. All IBM's top managers have been warned by chairman John Akers that their progress depends on the performance of their divisions.

Hancock's progress through IBM's multi-layered, overweight bureaucracy of the 1970s and 1980s was swift by any measure. She has both technical ability – unusual among IBM's top executives, most of whom are promoted from the sales side – coupled with sound managerial ability. She has had powerful sponsors throughout her career, including Jack Kuehler, IBM president and the company's most senior technical specialist.

> Her staff have a healthy respect for the acid side of her tongue: "A confrontation with Ellen on a bad day is like running into a bandsaw", a former colleague winced



Ellen Hancock: "no paper-pushing, know-nothing administrator"

Michael Killen, author of a controversial book on IBM's software strategy concludes that Hancock is "no paper-pushing, know-nothing administrator. On the contrary, she is a technical giant in what is still a highly technical, male world.

Whether she can reach the pinnacle of management achievement at IBM, chairmanship of the \$69bn (£38.5bn) revenues, 350,000 people company, depends on a complex set of factors which go beyond competence and skill. They include luck, common to success in most companies, but also age. IBM's top brass retires by convention at 60; potential chairmen have to be in pole position by their early 50s.

Is it a pinnacle to which, in any case, she aspires? "That is a job I have an ambition to do. Whether or not that is a reasonable ambition is a different discussion," she says lightly.

If realised, it would score two remarkable firsts – she would be the first technologist to lead IBM and the first woman head of a leading multinational corporation. To be realistic, there are other candidates among IBM's top managers whose claims to succeed John Akers are as good and better than Ellen Hancock's; but as one observer pointed out, if any large company were to appoint a woman chairman, it would be IBM in pursuit of its commitment to equal opportunities.

Hancock pays tribute to IBM's endeavours on behalf of its women employees: "For years IBM very deliberately worked to make sure that women can get ahead in the business and have encouraged it. As I moved through my career, there were times when I felt I was ready for the next move and other times when the company said 'Why don't we push her a bit'. The company worked very hard to get several of us into that position. Now there are women first and second line managers and divisional presidents and vice-presidents ready to move into senior".

Ellen Hancock joined IBM in 1966 with a master's degree in mathematics, but no computer knowledge, and learned programming in the company's Armonk, New York, headquarters.

Unconventionally, for somebody destined for the fast track, she spent the next decade in a variety of technically-orientated jobs, including systems engineer looking after customers in the brokerage industry. She felt at the time that she was not ready for management and was happier with technical issues.

In 1977, however, Hancock accepted a job as a first line manager – the lowest form of managerial life within IBM – in the company's Kingston, New York offices. She moved swiftly to third line manager in Charlotte, North Carolina, to extend her experience of IBM's financial hardware.

A series of increasingly senior appointments followed and she became a corporate vice-president in 1985; from first line manager to vice-president in eight years more than compensated for her slow start.

She was named general manager, communications systems, in 1988, the first woman to head an IBM "line of business (LOB)" – LOB is IBM-speak for a product division covering everything from product design to manufacturing. In another first, the LOB was relocated from New York to Staines, just outside London, in the middle of last year, the first time a product division has been run from outside the US.

One aim is to bring IBM and its networking customers in closer contact, but location does not actually matter all that much because Hancock travels and works incessantly. Her staff are used to receiving electronic mail messages at all hours from wherever she happens to have laid hands on a computer terminal.

She accepts that her technical expertise lies in a little understood area – but argues that executives should understand the importance of networking to their business. "If they have a business, the odds are their business needs some form of networking – most businesses need to communicate in some way with other businesses and with their employees.

"I would not expect a business executive to be interested in some of the things I like working on – like the question of TCP/IP versus OSI. But I would expect, if they intend to keep their company in a leadership position, that they should understand how they are utilising networking to get information, to keep their employees up to speed and to understand what is happening in the market".

In pursuit of a lean machine

By John Gapper

There is increasing worry in Britain about the effect of low levels of education and training – employers are often criticised for not spending enough on training compared with their German counterparts.

Yet a new US study* suggests some of this criticism may be misplaced. The study of productivity in 56 car plants owned by 24 companies around the world reaches a surprising conclusion: that European car workers may be over-educated. It finds that European workers are better trained than American ones, yet are still far less productive.

The authors argue that European car plants are not managed well enough according to the principles of flexible – or lean – production to make the best use of their well-educated workforce. Conversely, US plants are relatively good at extracting value from poorly-prepared workers.

"European plants appear unable to exploit the potential of their relatively well-educated and highly-trained workforce," concludes the study by academics at the University of Pennsylvania's Wharton School and the Massachusetts Institute of Technology.

On a training index which ranged from 1 for very little training to 4 for a lot, Japanese plants in Japan scored the highest at 3.6. Japanese-owned plants in the US scored 3.5, while European plants scored 2.9, and US-owned plants in the US scored only 2.3.

Japanese plants in Japan were better organised for lean production, making more use of techniques such as team working and just-in-time inventory control. They scored [illegible] on a flexibility index of 0 to 100, compared with 39 for US plants in the US, and 35 for European plants. But although the US plants scored poorly on these measures, they were considerably more productive than European ones.

Does the US Underinvest in Human Resources?; By John Paul MacDuffie and Thomas Kochan (unpublished).

John Gapper is currently a Harkness Fellow of the Commonwealth Fund, New York

HEALTH CHECK

Digesting facts on feast and famine

There are two sides to weight control: calories eaten, and calories burned up. The only way to lose weight permanently is to strike a balance between the two.

But the realities of business life are heavily stacked against balance of any sort. It is too easy to get locked into a pattern of dumping an increasing number of calories on to a system that is increasingly sedentary. Most business meals are large and laden with fat, sugar and alcohol.

They are also eaten under stressful conditions, late in the evening and on the run in hotels, aeroplanes and conferences.

This recipe for chronic fatigue and overweight is followed by hundreds of thousands of managers around the world. The morbid results are high blood pressure, diabetes, heart disease, blood cholesterol, not to mention shattered self-confidence.

Once the warning lights start flashing, you go to the doctor and get put on a diet. Unfortunately, most diets employ draconian methods – and are scientifically dubious to boot – making them a short-term success, but a long-term disaster.

This is because they concentrate exclusively on how many calories are going in (to be discussed in the next Health Check). They ignore the key ingredient for long-term success: your metabolic rate, or the number of calories used up by your body every day.

When your doctor tells you that you are overweight your knee-jerk reaction is probably to go on a diet, perhaps skip a few meals, cancel that lunch reservation at your favourite restaurant. But to do that will send the wrong message to your body.

The body does not know you are skipping lunch because you want to lose weight. Its survival mechanisms will be alerted to an imminent famine and it will slow down the metabolism to conserve energy.

It will even prepare to use its own muscle protein as a calorie source. If you spend lunchtime sitting still at your desk, your metabolism will be reduced further.

So how can you increase your metabolic rate in a safe and practical way?

The good news is that you need to eat - but eat wisely. Shift the bulk of your daily calories to earlier in the day, when your metabolism is higher and you can handle the calorie load.

The overwhelming majority of executives that I see every year report that they consume 60 per cent or more of their daily calorie intake at dinner. The only possible message to the body is to store those calories as fat.

There is nothing wrong with having snacks between meals. Eating nuts, wholewheat biscuits or fruit maintains the metabolic rate and keeps the level of blood sugar constant.

Exercise is also important, but there is no need to don the sneakers and sprint round the park. Mild exercise can increase your metabolic rate, particularly after meals. Leave the table 15 minutes earlier and walk briskly back to the office. Recent research shows that for every 15 minutes of brisk walking after a meal, your metabolic rate will remain high for 30 minutes, while you are back at the office sitting in front of the computer. That is high leverage.

Do not wait for that imaginary weekend or vacation to come when you begin to eat sensibly and play a strenuous game of tennis. You did not get into this situation overnight, you are not going to get out of it overnight either: so start now.

Dr Michael McGannon

Hamlet

OXFORD PLAYHOUSE

Theatr Clwyd's colourful, energetic and uneven *Hamlet* is the company's first British touring production of this scale and scope (Glasgow, Blackpool, Oxford, Chichester, Brighton), and one of its five shows now on tour. It is worth seeing for Geraint Wyn Davies' Hamlet, but the rest of Toby Robertson's production drains one's patience.

The plain set, bronze panels bearing latin inscriptions and funeral/marriage flowers, opens onto a glass that holds the mirror up to nature; for the most part, the action is uncluttered. However, the costumes are a visual distraction. They turn the Danish court into an *après-ski* theme party, all lycra, leather and velvet in ocres and reds. The contrast with Hamlet's black "suits of woe" is the evening's best visual thrill. White masks are painted on the faces of the courtiers, signifying complicity (Rosencrantz and Guildenstern arrive barefaced, and end up white); when Hamlet feigns madness, he opts for white stripes.

The acting is patchy. The tense opening scene so much praised by Coleridge is dissipated by over-emphasis: intensity is not conveyed only by panic. The Ghost (Robert Arnold) has strayed in from a Las Vegas revue trailing plumes, shimmer and smoke; only when he speaks does the seriousness emerge. The same actor plays Polonius as by turns silly and wise, flapping like a winged plover. Horatio (Howard Antony) is dependable but ponderous, well short of even having a philosophy, let alone one with dreams.

The King (David Keller) is a horror of jollity, both spiteful and vicious. Martin Mckellan, successfully cast as Gertrude, maintains a chilly distance from Hamlet, and adds a new strangeness to the play; but Ophelia (Sonia Forbes Adam) seems slight. Perhaps an all-male casting policy would have been more rigorous. The Cheek By Jowl Company's *As You Like It* recently showed how good an all-male Shakespeare could be, if a director takes that option.

The production's shortcomings are redeemed by Geraint Wyn Davies' Hamlet. He plays him as a sane, intelligent, depressive overwhelmed by events and facing difficulties as if for the first time: "Oh what a rogue and peasant slave am I" treads an exact line between the depressive's self-distraction and the need to get things done. "To be, or not to be" (spoken as Davies bounds on stage) comes as a revelation, the discovery of a way out; and "Get thee to a nunnery" finds a cool, level hate for Ophelia. Elsewhere, Davies is exact, losing the power of action in the energy of resolve.

This *Hamlet*, at just over three hours, has been cut for action; but the point of Shakespeare's play (his longest) is in its digressions. Robertson's cuts, particularly in Horatio's lines, make the play less lyrical, eschewing the compensations of reflection: out go Horatio's haunting lines abut the dawn together with his final catalogue of accidental murders and casual slaughters; the tragedy earns these insights, and a traditional performance like this one is incomplete without them. The ending lacks an ending.

(Oxford until January 25, then Chichester Festival Theatre, January 27 - February 1; Brighton Theatre Royal, February 3 - 8.)

Andrew St George

TELEVISION

History in the making

The idea of this column was to express a few straightforward thoughts about history on television because there is, as you may have noticed, a lot of it about. On Mondays we get *Voices From The Past* showing travel films which "reflect the ideas and attitudes of an earlier age", last week the 1947 voyage of the Passat, one of the last of the working square riggers. Sure enough, as well as some wonderful pictures there were some pretty old fashioned ideas such as that busy-busy "let's be jolly" music which used to fill every moment of the cinema newsreels when nobody was talking, and Duncan Carse described the bodies of the seamen as "machine like in their precision and endurance". Then, at the climax of the voyage when the mother and father of a storm broke over the ship, the commentary petered out and the viewer was left trying to work out what on earth was going on.

Tuesdays have been bringing *Brother Felix And The Virgin Saint*, a fascinating account by Bamber Gascoigne of a 15th century trip by a German monk to Jerusalem and the Sinai desert. This has been an unusually entertaining series because of the way that Gascoigne and producer Douglas Rae have shown not only the differences between tourism in the 15th century and today (which you would expect) but also the amazing similarities (which you might not). Last week Gascoigne told us some of the rules for Christian pilgrims in mediaeval Jerusalem: don't give alcohol to Moslems, not because Islam forbids it but because they will get drunk and attack the next lot of pilgrims; don't paint your coat of arms on the monuments; and don't race one another to the next site.

On Wednesday we had *Timewatch*, BBC2's regular history series which, this month, went back over the argument that arose after the Houses of Parliament burned down in 1834 and a new building was needed: should it be classical or gothic? This was not the clearest possible exposition of the debate, which has such obvious echoes today. I was never sure whether there was any question of the building being neither classical nor gothic but constructed with the modern techniques which, the programme explained, were used for the Crystal Palace and St Pancras Station. Incidentally, having mentioned the 1947 music it should be noted that this *Timewatch* sometimes used music and speech simultaneously, a daft and self defeating yet increasingly widespread habit today.

Wednesdays are also bringing *Churchill*, a four-part television biography written and presented by Martin Gilbert. The structure is wholly familiar: newsreels are interspersed with interviews, some from the archives and some shot specially. It seems remarkable how many of Churchill's staff are still around and still lively; they must have been considerably younger than he was. We are also treated to shots of the presenter posed in front of some empty room saying "Here is where..." which does precious little for the viewer but doubtless pleased the production staff who presumably got some nice foreign trips.

There are occasional amusements: the description of Churchill on the saluting base in north Africa when the surrendered German general came past in a smart uniform and splendid car but towed by a mule, and the two men caught one another's eyes and both began to laugh; and the moment when Churchill got out of the bath in the White House, urging Roosevelt to stay with the words "The Prime Minister has nothing to hide from the President of the United States." But generally it is a dry and dutiful account which seems to add little to what was known. It would make an excellent schools programme.

It is pretty clear that all those mentioned so far are history programmes, and there are others about which there would probably be little argument: *The Treaty*, for example, although presented in the form of a two-hour drama, was actually another history programme, this time dealing with the partition of Ireland. It was a notable achievement for writer Brian Phelan and director/producer Jonathan Lewis who managed to make cross-table negotiation on the detailed drafting of a political document seem dramatic... which it is, no doubt, but making it seem so in a television drama is an impressive trick.

The difficulty with reaching any broad conclusions about history on television arises when you start trying to decide what is *not* history. Sometimes the dilemma is not particularly important. For instance a programme which has recently begun on BBC2, *The Day The World Changed*, appears to be considered by its producers as a historical series but after watching the first two – with Steven Berkoff choosing the day when Herschel Grynszpan shot a German in Paris, and Liz Lochead the day when Mary Queen of Scots was beheaded (to be screened this evening) – I have my doubts. It seems clear that the presenters are being encouraged to make their approaches deeply personal and to "come on strong", and the result is that the programmes convey more about their presenters than about their historical subjects.

Bamber Gascoigne reaches Jerusalem in the footsteps of Brother Felix

But what about the four-part documentary on *The Falklands War* on Channel 4? Watching this makes you realise that historiography is probably changing, and television is probably changing it. Throughout the whole of recorded history up to now a nation's perception of its own recent history has been inevitably nationalistic: the communications did not exist for it to be anything else. Now here is a series, produced by Denys Blakeway and Hugh Scully, which, just 10 years after the event, is proving to be everything that television news coverage at the time was not: broad ranging, carefully considered, with access to virtually all sources of information on both sides of the conflict at all levels.

Monday's programme on what really happened over the sinking of the *Belgrano* included information delivered to the viewer by the captain of the British submarine, the captain of the *Belgrano*, the commanders of the Royal Navy in London and in the South Atlantic, members of the British war cabinet, and of the Argentine junta. That is not to say that we were given the whole truth (though it began to feel like most of it) but it is to say that we are in a better position to judge what was done in our name than, for instance, our forebears listening to fourth-hand hearsay evidence 10 years after the victory over the Spanish armada (most of our gratitude on that occasion being due to foul weather in the Channel, I believe).

Yet many people would not even concede that *The Falklands War* is "history" at all. Even among those who do, there will be many who would certainly draw the line at *The Washington Version* which, in programmes on Thursday, Friday and Saturday, gave a detailed and completely engrossing account of the planning and conduct of the the Gulf War as seen from a US standpoint. The Gulf War took place just 12 months ago: at what point do matters cease to be current affairs and begin to be history? In the end the only logical answer to that may be that anything which has happened is history and the rest is speculation.

What seems so striking, as you watch not only hefty international stories about wars and other great events but also accounts of popular taste in the recent past (Paul Madden's investigation of *The Avengers* on *Without Walls* or the wickedly funny accounts of fashions in interior decoration in *Signs Of The Times*) or detailed descriptions of the development and use of particular vehicles (delightful programmes on the Morris 1000 and the Avro Shackleton in *Perpetual Motion*) is that, with history as with so many other subjects, television is telescoping the process of communication. The raw material of history is being delivered straight into the nation's sitting rooms.

Christopher Dunkley

London International Mime Festival

If the London Mime Festival raises one issue *par excellence*, it is the inadequacy of existing categorisation of the performing arts, which not only affects what an audience chooses to see but what it expects to find. The dominant reaction to the first night of the Belgian Compagnie Mossoux-Bonté at the ICA was a rather bored reluctance to dismiss anything so obviously foreign and arty. Equally predictable was the pocket of initiates who could be heard sounding off in high indignation about the philistine English.

The festival, the venue, even the company's own sales pitch conspired against *The Last Hallucinations of Lucas Cranach the Elder*, which struck me as a brilliantly lucid and surprisingly unpretentious subversion of an artist's work and his times. Cranach (1472-1553) was a German painter and woodcut designer who was court artist to the Elector of Saxony at Wittenberg and also worked for Luther. His "Adam and Eve" is one of the prizes of the Courtauld Collection, while one of his portraits of Luther is owned by Bristol's City Art Gallery.

The combination of sacred and secular in his work provides Patrick Bonté and Nicole Mossoux with a fascinating lever for a pictorial fantasy based on the early protestant mind. The lights go up on an array of frames in which, with jewel-like definition, a collection of pictures are set.

In one, a pompous young man confronts a stuffed fish; in another, the torso of a woman sits fingering a book; in a third is the head of a sensuous but rather plain young woman. The young man, one notices, has bejewelled, spider-like hands. He reappears in a second scene of court portraiture, as an effete noble in gaudy finery caressing a blowsy wench.

Adam and Eve make their entrance as sleekly muscled nude torsos flirting over a bright green apple: their heads and legs are cut off by the picture frame, focusing the eye on the eroticism of the allegory and distorting it by making the covert appear overt. This, one imagines, is how Cranach might have seen the Courtauld painting in his wildest dreams.

Most revealing of all is the image of the recumbent nude, a skinny, twisted figure not beautiful in either face or form, but with a dignity which insists that she belongs to a different aesthetic to our own. Immediately one is reminded of all those etiolated bodies, with breasts stuck on like mud pies and necks at unnatural angles, which make Cranach's work seem so strange. There is plenty of time for such thoughts in a show which proceeds at a processional pace from frame to frame. For those who went expecting performance fireworks, it undoubtedly seemed a damp squib; take it on its own terms, as work that feeds on the visual arts, and its cracked visions crawl from every canvas.

One of the Belgian Compagnie Mossoux-Bonté's images at the ICA

★

Philipe Genty, who brought his new show to the Queen Elizabeth Hall for three nights last week, offers a very different package: here is mime as sleight of hand and foot, accomplished, magical and ultimately mundane. A figure wrestles with a quilt which gets smaller and smaller until it self-destructs into feathers of polythene from the snowy depths of which a slender puppet emerges. A second puppet wrestles with a deck chair which gets bigger and bigger until it becomes a tumbling apparatus for "real" actors.

Genty's two stocks-in-trade, or so it would appear from this show, are his mastery of changing scale and his style of puppetry, which enables teams of bowler-hatted puppeteers to move in and out of focus without destroying the illusion of the puppets on the ends of their sticks. His work is charming and clever, but gave no indication of being more than a series of variations on these two themes.

★

And so to the Black Mime Theatre, one of the home contributors to the festival, which offers a piece about women and alcoholism that is endearing in its earnestness. Three women re-enact the stories of their alcoholism as a warning to ordinary mortals about the evils of drink. The acting is raw, wholehearted and enfuriatingly inaccurate if you look for the sort of detail in which mime is supposed to specialise (what waiter ever poured wine out over the back of his hand?). It uses dialogue and singing and has a following of its own at the Young Vic. But I cannot help wondering what the French or the Belgians would make of its rough readiness.

Claire Armitstead

Roy Ayers

RONNIE SCOTT'S

Mr Scott must be confident of this American's appeal. The showy vibraphonist has already spent a week in Birmingham at the new club and has booked him for a lengthy three week residency at the London venue.

But there are few good vibes players around and the instrument does seem to have some pulling power on the margins of jazz. Perhaps it is because it offers both melody and percussion in large equal measures or because it is usually played standing up and with some vigour, but it is hard to ignore.

Roy Ayers has the added advantage of being an unrepentant showman who owns an expensive looking piece of equipment from which he can summon all kinds of sounds with a flick of the switch and the application of mallets. This he does with alacrity and even managed a clever but tacky mini-tribute to Miles Davis by hitting the trumpet button on the machine. He can play though and when the vibes are right, backed by a tough all-American no-nonsense rhythm section, the swirling vibrato is mesmerising.

Legend has it that Ayers was encouraged to take up the electric xylophone at the age of five by Lionel Hampton, the original big band vibes man, when he gave him a pair of mallets to get the young Ayers started. He moved quickly away from a pure jazz sound, however, and by the mid-1970s was established as an uncomplicated and entertaining fusion player.

Thus he neglects to play long, sustained solo parts throughout a set of sweaty jazz funk. Instead the repertoire of songs with titles like "Everyone likes the sunshine" relies heavily on a seductive groove and the old charmer's line of cheeky chat. He even resorts to the trusted technique of invoking "everyone to put their hands in the air", for example. He likes to sing as well and has a soulful voice which delivers smoothie nonsense reminiscent of ladies' men like Barry White or Luther Vandross.

While guitarist Zachery Breaux whacks out the soul riffs, Ayers puts down his mallets, fixes a table at the front with a mischievous eye and sings, "I believe in the spirit of do-do". Later in the set he wiggles his ears, a seductive device which Ayers' wife apparently finds irresistible. On this first night more than a few in the near capacity audience seemed to like it too.

Garry Booth

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in Webern's Passacaglia, Schumann's Violin Concerto with Ida Haendel and Tchaikovsky's Fifth Symphony, repeated tomorrow and Fri. Chailly also conducts a free lunch concert today at 12.30. Tonight in the Kleine Zaal: Beaux Arts Trio. Tomorrow: piano recital by Dirk Joeres. Sun: Lazar Berman (6718 345)

Muziektheater 20.00 Louis Langrée conducts Offenbach's Les brigands, with a cast led by Michel Senechal, Brigitte Balleys and Jules Bastin, also Sun at 13.00. Fri and Sun at 20.15: Nederlands Dans Theater (6255 455/credit card bookings 6211 211)

■ BERLIN

Staatsoper unter den Linden 19.00 Fabio Luisi conducts Elke Gramss' production of Madama Butterfly, with Eugenia Moldoveanu in the title role. Tomorrow: Der fliegende Holländer (East Berlin 2004 762)

Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of Die Entführung aus dem Serail. Tomorrow: orchestra concert conducted by Siegfried Matthus (East Berlin 2292 555)

Deutsche Oper 19.30 L'elisir d'amore with a cast including Jerry Hadley, Ingvar Wixell and Rolando Panerai. Tomorrow: Tosca (West Berlin 3410 249)

Schauspielhaus 19.30 Concentus Hungaricus plays orchestral music by Bartok, Mozart and Leo Weiner. Tomorrow: piano recital by Rolf-Dieter Arens (East Berlin 2090 2267)

■ BIRMINGHAM

Symphony Hall 19.30 Simon Rattle conducts the CBSO in Robin Holloway's The Spacious Firmament and Mozart's Mass in C minor. Tomorrow: Moura Lympany plays Grieg's Piano Concerto with the English Symphony Orchestra. Sun: Elise Ross sings songs by Rakhmaninov and Shostakovich (021-212 3333)

■ FRANKFURT

Opernhaus 19.30 Stefan Soltesz conducts Peter Mussbach's production of Ariadne auf Naxos, with Anna Tomowa-Sintow in the title role. Tomorrow: Moses und Aron. Fri: Die Zauberflöte. Sat: William Forsythe's full-length ballet The Loss of Small Detail, music by Thom Willems. Sun: Macbeth (236061)

Alte Oper 20.00 Christy Moore in an evening of Irish folk music. Sun: Yakov Kreizberg conducts Brahms, Schubert and Hindemith (1340 400)

■ THE HAGUE

Danstheater 20.15 Nederlands Dans Theater in choreographies by Jiri Kylian, Hans van Manen and David Parsons, also tomorrow in The Hague, Fri and Sun in Amsterdam and Sat in Rotterdam (360 4930)

Dr Anton Philipszaal 20.15 Members of the Residentie Orchestra, with piano soloist Kees Wieringa, play chamber music by Clara and Robert Schumann. Fri and Sat: Vasili Sinaiski conducts the Residentie Orchestra in music by Sibelius and Shostakovich (360 9810)

■ LONDON

Queen Elizabeth Hall 19.45 Matthias Bamert conducts the London Mozart Players in Ravel's Le Tombeau de Couperin, Debussy's Petite Suite, Bizet's Symphony in C and Saint-Saëns' Second Piano Concerto, with Howard Shelley. Tomorrow: Trio Zingara. Fri: Julian Bream (071-928 8800)

Covent Garden 19.30 Frederick Ashton's Royal Ballet production of La fille mal gardée, with Viviana Durante. Also tomorrow (071-240 1066)

Coliseum 19.00 Ivor Bolton conducts Nicholas Hytner's ENO production of Xerxes, restaged by Julia Hollander, with Ann Murray in the title role, also Fri. Tomorrow and Sat: Die Fledermaus (071-836 3161)

■ NEW YORK

THEATRE

● Sight Unseen: Donald Margulies' play is about an American painter who becomes the art scene's newest visionary, and his search for the muse who was his inspiration. Directed by Michael Bloom with a cast including Dennis Boutsikaris, Laura Linney, Jon de Vries and Deborah Hedwall. Daily except Mon till Feb 9 (City Center, 131 West 55th St., 581 7907).

● Song of Singapore: a bubbly musical by Eric Frandsen, Michael Garin, Robert Hipkens and Paula Lockheart. Directed by A.J.Antoon with an eye for zany detail (Song of Singapore Theater, 17 Irving Place, 228 0844).

● Pageant: the popular, long-running spoof on beauty contests, conceived and directed by Robert Longbottom with music by Albert Evans. Dinner available (Blue Angel, 323 West 44th St., 262 3333).

● I Won't Dance – Steve Ross Sings Fred Astaire: an all-singing, all-playing, non-dancing tribute to the Astaire repertoire, with text by Michael Sommers and Steve Ross. Ends Feb 1 (Theater at St Peter's, 619 Lexington Ave., 688 7253).

● Ticketron answers inquiries and sells tickets for most shows on and off Broadway (246 0102)

■ PARIS

DANCE

Palais Garnier 19.30 Roland Petit's Ballet de Marseille opens a two-week season with Sleeping Beauty (4017 3535)

Théâtre des Champs-Elysées 20.30 Dance gala with international soloists, repeated on Sat, Sun and Mon. Tomorrow: Georges Prêtre conducts Webern, Mozart and Mahler (4720 3637)

MUSIC

Palais des Congrès 20.00 Kiev Opera production of Tchaikovsky's Mazeppa, repeated tomorrow. Fri, Sat, Sun: Khovanshchina (4068 0006)

Opéra Comique 19.30 William Christie conducts Les Arts Florissants in a revival of Jean-Marie Villégier's production of Lully's Atys. Runs till Feb 5, with next performances on Fri, Sat and Sun (4286 8883)

Opéra Bastille 20.30 Claire Gibault conducts Mozart's Apollo et Hyacinthus, in a production by the Opera de Lyon. Repeated tomorrow and Fri, also Jan 29 and 30 (4001 1616)

Salle Pleyel 20.30 Gunther Herbig conducts the Orchestre de Paris in Brahms' Tragic Overture, Schumann's Piano Concerto (soloists Brigite Engerer) and Shostakovich's Fifth Symphony, repeated tomorrow. Next week: Giulini conducts Verdi's Requiem (4563 0796)

Châtelet 20.30 West Side Story, daily till Sun. Next week: world premiere of Philippe Fenelon's new opera Le Chevalier Imaginaire (4028 2840)

THEATRE

Deborah Warner's RSC production of Sophocles' Electra, with Fiona Shaw in the title role, has four final performances (tonight till Fri) at the Maison de la Culture, Bobigny (4831 1145). Paris also has three new Racine productions: Phèdre, directed by Jean-Marie Villégier at the Théâtre de l'Est parisien (4364 8080), Britannicus in a staging by Alain Françon at the Théâtre des Amandiers (4793 2630) and Andromaque directed by Anne Delbee at Théâtre 14 (4545 4977).

■ ROME

Teatro dell'Opera 20.30 Paolo Carignani conducts Carlo Verdone's production of Il barbiere di Siviglia, with a cast led by Simone Alaimo, Rockwell Blake and Jennifer Larmore. Runs till Feb 7, with next performance on Sat (488 3641)

■ STRASBOURG

Palais de la Musique 20.30 Theodor Guschlbauer conducts the Strasbourg Philharmonic Orchestra in Rakhmaninov's Second Piano Concerto (soloist Ivo Pogorelich) and Mahler's First Symphony. Repeated tomorrow (8837 6777). Fri and next Mon in Théâtre Municipal: Graciane Finzi's new opera Pauvre Assassin (8875 4823)

Théâtre National 19.30 Agesilan de Colchos, a tragi-comedy about conquest and adventure by the 17th century French dramatist Jean de Rotrou, directed by Philippe Berling. Daily till Feb 8, except Sun and Mon (8835 4452)

■ ZURICH

OPERA/BALLET

The programme at the Opernhaus tonight at 19.30 consists of new choreographies by Bertrand d'At and Bernd Roger Bienert, with music by Zemlinsky and Richard Strauss. Tomorrow and Sat: La bohème with a cast led by Daniela Dessi and Francisco Araiza. Fri: Der Rosenkavalier. Sun: Lohengrin with a cast led by Ben Heppner and Anja Silja (262 0909)

CONCERTS

Tomorrow in the Tonhalle, Sashko Gavrilov, Siegfried Palm and Bruno Canino play piano trios by Haydn, Kagel and Beethoven. Sat: Heinrich Schiff plays Haydn's D major Cello Concerto with the Deutsche Kammerphilharmonie. Sun: Beaux Arts Trio (261 1600)

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Wednesday January 22 1992

Window of opportunity

HAVING WON a decisive victory in the cold war, the western powers seem determined to lose the peace. Instead of co-operating, they indulge in bitter conflicts over trade policy. Instead of exploiting a once in a generation opportunity for reconstruction of the erstwhile Soviet Union, they procrastinate. The west can, and should, do better. Today's meeting in Washington on humanitarian aid for the states of the former Soviet Union and this weekend's meeting of the group of seven leading industrial countries in New York are where to start.

Mr Mikhail Gorbachev left behind a country reduced to social, political and economic rubble. This may have been necessary if reform were ever to be attempted. But the long-predicted hyperinflationary collapse is now under way. The resultant crisis has given democratic reformers an opportunity, but no more than a brief one. Should they fail, far uglier forces lie in wait.

This thought alone should goad the west into action. It is not merely that a stable, democratic and market-oriented Commonwealth of Independent States is devoutly to be wished. It is that the alternative is horrible. The west must help give both the citizens and the armed forces a stake in the future. Otherwise, it might find itself confronting nuclear-armed conflict within and uncontrolled nuclear proliferation without.

Freeing prices

True, the government installed by Mr Boris Yeltsin is open to criticism for its headlong rush to price liberalisation, especially when it controlled neither the Russian central bank nor the budget. But it had to start somewhere. Price liberalisation has at least broken the log jam, just as it did in Poland in the summer of 1989. But, unlike in Poland, there is no Solidarity government waiting in the wings. The reforming government is the one now in office. The west should help make its reform work rather than carp at its incompleteness.

Set against that objective, the agenda of the conference in Washington is too limited. Humanitarian assistance is necessary, but is not sufficient. Experience in eastern Europe shows that stabilisation and price liberalisation can fill the shops with food. But pouring food aid onto a hyperinflation is like emptying a bucket of water onto a desert.

Radical reform

What is needed is a sufficiently radical reform to shift the economy from a collapsed centrally planned economy into a market economy, however halting and infirm. The main elements of such a minimum bang are price liberalisation, monetary and fiscal stabilisation and privatisation.

The request for western aid to help stabilise the rouble must be granted not several months from now, when membership of the International Monetary Fund has been agreed, but now. Equally important will be technical assistance for the energy sector, food distribution and the creation of workable fiscal and monetary systems. Meanwhile, Russia and the other leading successor states must move to privatise retail and wholesale trade, transport and agriculture as quickly as possible.

None of this is fundamentally different from what has been needed in eastern and central Europe. But in the case of the former Soviet Union, its huge, impoverished and embittered armed forces justify an exceptional form of assistance: direct budgetary support. While the economy is being stabilised and a new fiscal system put in place, the west should meet a substantial part of the budgetary costs of the armed forces. It can kill two birds with one stone by demanding radical nuclear disarmament in return.

The most powerful criticism of generous government-to-government aid is that it strengthens the state against the people. For once that is its justification. The reforming governments need to be strengthened above all against a reactionary bureaucratic and military class.

At last the west has real reformers to help. So if the G7 does not decide this weekend to substitute decisive action for vague words of support, it will deserve to be renamed the seven dwarfs.

Codswallop at Lloyd's

AT THE centre of every great institutional row, you will usually find an organisation chart. It is not surprising, therefore, that some of the noisiest debate about last week's report on the future of Lloyd's, the insurance market, should centre on its final chapter, which discusses how the market should be led and supervised.

The report argues that Lloyd's problems are essentially commercial, and sets out ways to make the market more competitive and profitable. It concludes with proposals to reorganise Lloyd's leadership, to give it more of a business emphasis. Mr David Rowland, chairman of the task force that produced the report, believes that this reorganisation is essential to bring about the wider changes he recommends.

He might have expected at least a polite hearing for these views. Instead, he has been blown a raspberry.

To understand why, look at the present management of Lloyd's. Currently, the 28-member Lloyd's council is responsible both for the strict new regulatory regime introduced after the scandals of the 1970s, and for the market's support services.

The task force argues that this does not work. There is no clear focus of responsibility for the development of Lloyd's as a business. And, says the report, the independence and distance required for the council's regulatory functions "are not helpful in developing and supporting Lloyd's collective business performance; rather they are obstacles to the total commitment of all concerned to Lloyd's competitive success". Consequently, there should be a clear split between a market board responsible for running the business of Lloyd's and a regulatory council responsible for policing it.

Raspberry-blowing

That was where the raspberry-blowing started. Lloyd's council welcomed the report as a whole, but singled out this proposal, alone among the task force's 65, for immediate rejection. It argued that the market needs a unified leadership, handling both regulation and business issues.

Mr Rowland expressed his regret, in moderate terms, that the council had not seen fit to accept his advice. Lloyd's chairman Mr David Coleridge replied, in somewhat less moderate language, that some of the task force's thinking was "codswallop".

That must not be his final word. There is an underlying agreement between the two sides of the debate: that Lloyd's commercial crisis is the central issue. The question, therefore, is how best to ensure the business leadership that the market badly needs.

Clearer approach

Mr Rowland's approach, with its organisation charts and call for a new Lloyd's act of parliament, may not be the best solution. But it is clearer and more comprehensible than the council's counter-offer: a review of its own structure "closely attentive to the need to maintain a strong business orientation in decision taking in the market".

What makes the council's rejection of the report's final chapter particularly unfortunate is that it contains within it the foundations of a workable compromise, described as a transitional structure. This would require no legal changes, but achieve most of the desired aims. It is a useful starting point for discussion.

The debate is the more important because of the other contentious issue that remains unresolved in the wake of the task force's report. Among those directly affected, there has been great dismay that the report has found no solution to the problems faced by those Names exposed to the worst losses of the late 1980s, and no easy way out for those trapped in "open years" where liabilities cannot yet be estimated.

That was predictable: no report produced by consensus was ever likely to resolve these difficult issues. The bitterness they create will continue to eat away at the heart of the market, however; it has given a fresh edge to the debate on governance. Rightly or wrongly, the council's response to the task force's organisational proposals has been seen as the protective reaction of the Lloyd's establishment, and a poor omen for the prospects of the rest of the report. The council must think again.

David Buchan interviews Egon Klepsch, the European Parliament's newly elected president

Master fixer

The European Parliament today is far in distance, time and nature from Chicago of the 1960s. But it has just gained in Mr Egon Klepsch, an avuncular German Christian Democrat, a president whose skill in political fixing rivals that of the late Richard Daley, legendary boss of the mid-west city. A Daleyesque talent for exercising power may be just what the European Community's chaotic transnational parliament now needs.

This nomadic circus of a legislature – rotating between Strasbourg (plenary sessions), Brussels (committee meetings) and Luxembourg (staff base) – has barely organised itself properly to use the powers awarded to it by the 1986 Single European Act, let alone what it will get once the Maastricht agreement is ratified and implemented.

The keynote of Mr Klepsch's inaugural appeal to fellow MEPs last week was, therefore, no surprise. "Let us do our utmost, acting resolutely, responsibly and effectively and in a way which is comprehensible to the people of Europe, to make use of the powers which the Parliament has just acquired [at Maastricht]," he said.

These powers, bestowed from above rather than earned from below, now give the Parliament a chance to disprove the quip so often made of it – that powerlessness corrupts, and absolute powerlessness corrupts absolutely.

Once the Parliament gets its act together, "then we will be able to address directly to the citizens of Europe, who will no longer accuse us of gobbledygook," says Mr Klepsch.

For all their whispering in the Strasbourg corridors about underhand methods and tainted tactics used by Mr Klepsch in his climb to the top, most MEPs heartily welcome his interest in internal reform. It is better, the majority say, to have a parliamentary professional, warts and all, at the rostrum than an inefficient amateur like his Spanish socialist predecessor, Mr Enrique Baron.

It is also appropriate that the Parliament's new president should have a direct line to Chancellor Helmut Kohl, who strove mightily last year to get his fellow EC leaders to accept more powers for the Strasbourg assembly. Mr Klepsch and Mr Kohl go back to the mid-1950s when they both cut their political teeth in the Rhineland-Palatinate.

It will certainly do the Parliament no harm for it to be led into budgetary or legislative battle with the other EC institutions by a close ally of Europe's most powerful leader.

Mr Klepsch has won himself brownie points in Bonn by taking the lead in proposing 18 extra MEPs for the newly enlarged Germany. The Maastricht summit only agreed to study extra representation for Germany, because France bridled at the notion of losing its treasured political parity with Germany. "But I am sure we will get the extra MEPs," he says.

Winning extra seats for Germany is a natural goal for Mr Klepsch, who escaped from East Germany as a 20-year-old in 1950. He came up the hard way, supporting himself through the university of Marburg as a part-time packer of washing machines and carpenter.

Egon Klepsch: thick skin but sensitive political antennae

And he has been nailing deals together ever since, first in the Bundestag and since 1973 in the European Parliament.

Amid MEPs' mutterings about sharp practice, only one firm charge has ever been made, and admitted. This was when in 1981 he was spotted pushing the voting button of a fellow Christian Democrat as well as his own. Mr Klepsch says he was only doing what was common at the time, and that he has never done it since. When he was asked at his first presidential press conference about the 1981 incident, he told reporters: "This exercises you more than I intend to be exercised by it."

For all their whispering about tainted tactics used by Mr Klepsch in his climb to the top, most MEPs welcome his interest in internal reform

Mr Klepsch has that fortunate combination for a politician – a thick skin and sensitive political antennae, tuned to the first hint of revolt or discontent.

There has always been some of that. It is an open secret that he does not get on well with Mr Leo Tindemans, the former Belgian prime minister, who last week succeeded Mr Klepsch as leader of the 128-strong Christian Democrat group in Strasbourg.

His unrivalled knowledge of what transpires within the Parliament is due in part to the fact that he knows everyone – even the doormen – and in part to the fact that even his spare time is spent playing *skat*, a popular German card game, with fellow Christian Democrat deputies, and discussing politics.

Consensus politics is far from being a dirty word for Mr Klepsch. "We are in fact condemned to practising consensus politics," he says.

This is because of the requirement that the Parliament muster 260 votes, or an absolute majority of its 518 members, to exercise any of the important law-amending or treaty-approving powers that it got under the Single European Act or will get under the Maastricht treaty.

No EC country imposes such a voting threshold on its legislature (except in revising constitutions). But EC governments have imposed it on Strasbourg to test the seriousness of a Parliament that none of them totally trust.

Mr Klepsch does not quarrel with this. Indeed he says it is essential "because we are legislating for 12 different countries" with very different political strands in them. We need to find solutions to fit the bill for the whole Community," he says.

What Strasbourg-style consensus means in practice is constant deal-making between the Christian Democrats and the Socialists, the largest group with 180 MEPs. This worked smoothly through much of the 1980s when there was another German, Mr Rudi Arndt, in charge of the Socialists.

It is less smooth-running now, with the more acerbic Mr Jean-Pierre Cot leading a Socialist group that now contains as its largest national contingent 45 UK Labour MEPs, for whom there is something unholy about cosying up to a Christian Democrat group that is considering taking in the British Tories.

But as their price for backing – or at least not opposing – Mr Klepsch for the presidency, the Socialists last week secured most of the key committee chairmanships. This includes a new foreign affairs committee to be presided over, rather aptly, by Mr Baron, who was criticised widely during his presidential term for spending too much time posturing on the international stage.

Another fruit of this Christian Democrat-Socialist compact was last week's rule changes. These were essentially aimed at preventing plenary sessions being cluttered up with endless amendments. Up to now, during the weekly plenary session each month MEPs have spent some seven to eight hours merely voting on – not even debating – about 1,000 amendments. The main change makes it harder for an amendment, lost in committee, to be re-presented in the plenary.

"We must deal with technicalities in committee, and keep the plenaries for debating the big issues that people care about," Mr Klepsch says.

Once Maastricht comes into effect, the Parliament will have a real say on almost all of the big issues confronting the EC. Mr Klepsch particularly prizes the expanded treaty-vetting power of the Parliament, which goes beyond the rights of most national EC legislatures and matches that of the US Senate.

Will that make the European Parliament the difficult international partner that the US Senate has often been? (MEPs, for instance, last week voted down aid packages for Morocco and Syria, on human rights grounds.)

No, says Mr Klepsch. "If the Council and Commission take us seriously and provide full information, we will behave seriously."

Sir: your plan will not work

William Dawkins has advice for the French government

The following letter has come into our possession. It is addressed to Mr Jean Syrota, the man charged with merging the civil electronics and nuclear activities of Thomson, the French state-owned electronics group, with CEA-Industrie, the state-owned nuclear plant and fuel business. The sender appears to be an executive in a large investment bank and the letter concerns the new group, to be called Thomson-CEA-Industrie (TCI).

Dear Mr Syrota, I was honoured to receive your request to seek private corporate investors in the government's latest industrial policy initiative. My bank has never been asked to advise on a proposal of such international importance.

So it is with great reluctance that my directors have decided that we are unable to attach the bank's name to the project on the ground that we could not, in honesty, advise private-sector contacts to invest in it.

Sadly, the plan as presented to us falls down on just about every count we can think of.

First, financial. Our analysts are disturbed by the many years of losses they see at Thomson's consumer electronics and semiconductor units.

They believe Thomson Consumer Electronics faces continuing huge investments in a high-definition television, based on a technical standard that is by no means guaranteed to win wide acceptance. Then there is the disadvantage of being a high-cost producer in an industry dominated by low-cost suppliers.

As for the semiconductor unit – SGS-Thomson – we accept that your Italian government partner in the project might help bail it out temporarily. But we cannot easily measure the unit's continuing huge needs for cash in this fast-moving and capital-intensive business; nor do we see any guarantee that SGS-Thomson will achieve the market share needed to ensure long-term survival.

The upshot of all this is that the cash earners in TCI – nuclear plant and fuel, and the sale of nuclear-related technology – could at worst see their resources eaten away by the parts of Thomson they are destined to inherit. We hear that there might be some limit or even a ban on Thomson's use of the nuclear business' cash reserves. Even so, we could more easily attract investment for them if they had no connection with Thomson's civil electronics activities.

In other words, reshuffling the cards in this way does not improve the public sector's nuclear and electronics hand, and might even make it worse.

Second, management. We liked the parts of the original version of the plan, promoted by Mr Dominique Strauss-Kahn, the industry minister, whereby Thomson would take over CEA-Industrie. Thomson has professional, dynamic managers, who might be able to teach the academics at CEA-Industry a trick or two.

Yet the final version of the plan is the other way round, with parts of Thomson to become subsidiaries of CEA-Industrie. Where is the sense?

Third, political risk. We are unsure that future French governments will continue to support this idea. We admire the courage of Mrs Edith Cresson, the prime minister, but fear she could lose her job at any moment, possibly leaving investors high and dry.

Fourth, feasibility. Perhaps cynically, some of our analysts argue that no sane private investor in charge of these same state-owned businesses would ever come up with a plan quite like this. Neither would they invest more money in it, as I believe the French government is planning to do.

We remind you that the question of whether the state is behaving like a rational private investor is the test used by the European Commission to decide whether or not a government industrial investment contravenes EC state aid rules.

Let us assume, however, that we can persuade a private investor to accept the risks. This might encourage the Commission to clear the project on the grounds that it had attracted private money.

Yet that leads to a wider problem. The plan appears to be based on a Colbertist idea of the state's responsibility to direct important industries. If this worked in the 18th century, it was because the companies created were supported by guaranteed state orders and protected from international competition by high import tariffs. Our legal advisers fear that current international trade law makes it nearly impossible to achieve either of those conditions.

That concludes our view of the project. May I be so bold as to suggest an alternative?

Your government's interests as a shareholder in these companies would be best served by starving Thomson's consumer electronics and chip businesses of capital – not by investing in them. We suggest you employ us to sell some of Thomson's best consumer brand names, like Telefunken and Ferguson, ideally to Japanese groups which would welcome a European identity and could make them profitable.

In your position, we would use the funds from these asset sales to invest in the profitable businesses remaining, such as Thomson-CSF in defence electronics and Cogema in nuclear fuel. Forget the reshuffle and leave them as they are, as separate holdings in your government's portfolio, so that they can go on concentrating on what they do best.

We look forward to hearing from you...

At this point the text has been torn.

OBSERVER

Midnight in Moscow

■ Could it have been just in fun that a Russian late-night newscast heralded the 68th anniversary of Lenin's death by announcing his body was to be shifted from Moscow's Red Square mausoleum and buried, along with his family, in St Petersburg?

If so, the joke was lost on about 100 old believers, who turned out at midnight to guard the sarcophagus in temperatures of 25 below. Since everything else had been taken from them, one sobbed, they would fight for Lenin's right to lie in state forever.

Came the day, and a crowd of 2,000 in the Lenin Museum heard a succession of neo-revolutionaries lambast falling living-standards, and moral decay. "Not hundreds, not thousands, but tens of thousands are demonstrating once more under the red flag," said Igor Malerov, who's reviving the Young Communist League.

Up at the tomb, its two white-faced guards looked on frigidly as a few hundred milled about with red banners proclaiming "the ideas of Lenin will revive". But it was an old woman who somewhat stole the show before the TV cameras.

Asked by the interviewer for her opinion of the historic leader, she replied: "Lenin? Who cares about Lenin? I'm not getting my pension."

Double-booked

■ What could be more important than listening to Robin Leigh-Pemberton, the governor of the Bank of England? Tonight's annual dinner of the Manchester Merchant and International Bankers' Association, it seems.

I hear that there is an embarrassing clash between the timing of the bankers' booze-up at the Midland Hotel, and the governor's speech at Manchester Business School's celebrity seminar, a quarter of a mile away.

ABN-Amro Bank's Howard Middleton, chairman for the dinner, assures me that his keener banker colleagues will be able to squeeze in both events. However, the figures speak for themselves. There will be almost twice as many people sitting down to dinner as listening to the governor.

Japan's turn

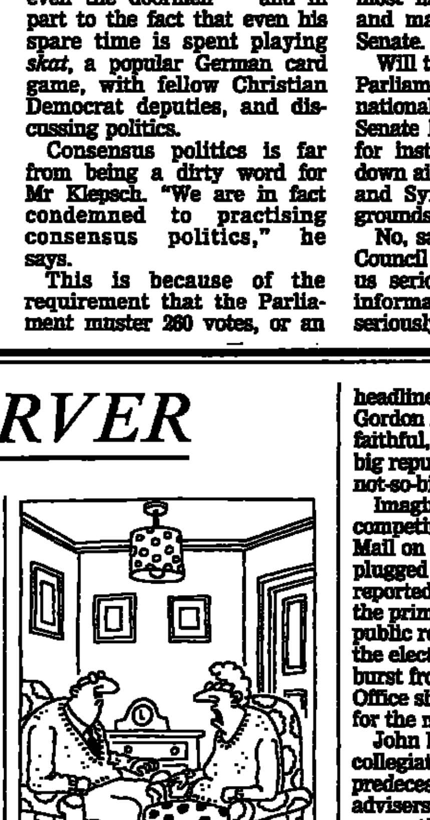
■ Japan has been better at donating money, rather than its brightest civil servants, to international organisations. So Kumiharu Shigehara's career as the OECD's next chief economist will be watched with more than usual interest.

The 52-year-old Bank of Japan official takes over from David Henderson, who has been doing the job since 1984. Until now, heads of economics at the Paris-based group have been either British, like Henderson, or north Americans. But the Japanese now contribute 24 per cent of the organisation's budget – a fraction less than the Americans – and already one of the three deputy secretary generals is Japanese.

Currently head of a BoJ think-tank called the Institute for Monetary and Economic Studies, Shigehara has completed three tours of OECD duty, most recently in 1987-89, when he was director of the policy studies branch.

A tall, donnish man, he is noted abroad for espousing a tough, autonomous and not excessively pro-American monetary policy at the Bank of Japan. He has frequently advocated greater deregulation for the Japanese economy and insists that he will not change his tune in his new post – even on the sensitive issue of liberalising the rice market.

Fluent in English, he is said to be typical of the new breed of assertive and international-minded Japanese who are not afraid to speak their mind. In which case, his appointment will be welcome.



"I know one song that won't be on John Major's Desert Island Discs."

Inside disease

■ In the public relations trade, it is important to be seen to have access to the people who matter. Hence the increasingly desperate backstage jostling among the Tory party's rival image-makers.

Will Sir Tim Bell, Mrs Thatcher's favourite PR man, be brought in from the cold and given a plum job on Prime Minister Major's team? How important is it for Peter Gummer, brother of agriculture minister Selwyn, that the Tories are re-elected with his own firm, Shandwick, visibly playing a key role? Can Alan Parker, Sir Peter Parker's son, repeat his recent success in financial PR, by helping Shaun Woodward, the Tory's young communications chief, win the coming battle of the headlines? What role will Sir Gordon Reece, another old faithful, play? There are some big reputations, even if not-so-big businesses, at stake.

Imagine the panic in competing firms when The Mail on Sunday, normally well plugged into Tory politics, reported that Bell will act as the prime minister's personal public relations officer during the election campaign. A short burst from Tory party Central Office shot down that idea... for the moment.

John Major prefers a more collegiate approach than his predecessor took, say his advisers. Hence the old connections no longer hold good. If true, this is bad news for the influence-pedlars.

Mommas

■ The world's highest chances of meeting a *femme fatale* are probably in Switzerland. Not only does almost every able-bodied male citizen have a rifle and ammunition at home against the dreaded day when the country is invaded, but the 2,500-strong Swiss Women's Military Service are now allowed to pack pistols.

The service's head Brigadier Eugénie Pollak says the weapons are purely for self-defence. And although she knows of no occasion when one has been used against an attacker, she can quote statistics to show that the pistols are at least not proving a danger to the women soldiers themselves.

They have fired 81,000 shots in practice, without a single accident.

Spot on

■ "What's your diet?", the doctor asked the patient complaining of indigestion.

"Snooker balls," came the reply, "Red and yellow for breakfast, black and brown for lunch, and pink and blue for tea."

"As I thought," the medic said. "You aren't eating your greens."

PERSONAL VIEW

Russia needs three kinds of economic aid — and quickly

By Yegor Gaidar

Two months ago, the president of Russia, Boris Yeltsin, formed a new government pledged to radical economic reform. That government has a clear strategy, and has already put in place many of the elements central to it.

The first is the freeing of markets — for goods and services, and for foreign exchange. On January 2, most consumer prices were freed. Only a few basic goods remain controlled and their prices have, on average, tripled. Most industrial prices, except those of energy and freight transport, are also free.

After 75 years of price control, this was a big step. Some people say that the government should have gone more slowly. I do not agree. The queues in the shops were quite intolerable. Money had become so useless that much of the trade between enterprises was done by barter. An economy of that kind can never prosper.

In any case, once price rises become expected, they must be allowed to happen. If not, suppliers are unwilling to sell and supplies to the market fall steadily. It would have been nice to be able to privatise first, but delay was impossible. Russia shall, however, privatise as fast as practicable, and at least as fast as the countries of eastern Europe.

Some ask: "How can people afford the higher prices?" This largely misses the point. The prices only rose because the people — taken as a whole — had the money to spend. Care must be taken, however, to protect the poorer people — such as pensioners — who already used to spend all their income.

We have done all that we can to protect these groups. On January 1 the basic pension, child support and the minimum wage were increased by 90 per cent. This is less than the rise in prices, but any bigger increase would have been irresponsible. Pensions cannot be paid by printing money, as happened last year. Any more generous social safety net will have to depend on foreign assistance.

Freeing domestic prices is the principal step to a healthy market economy. But Russia is also determined to participate fully in world trade. This means freeing the market for foreign exchange. Up to now, foreign exchange has been grossly under-priced and allocated by government officials.

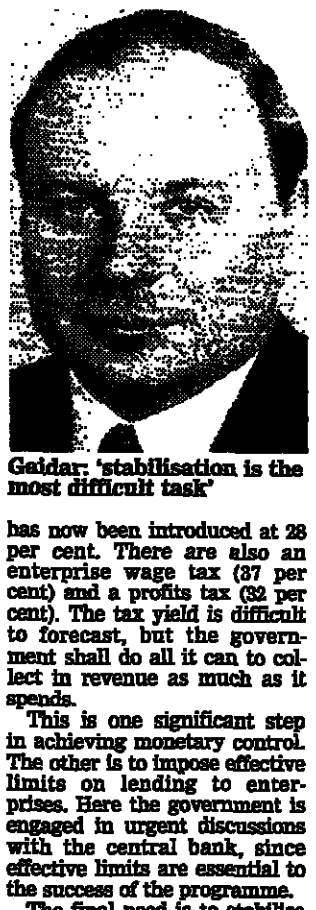
On January 1, the government created the framework for a normal foreign exchange market. Importers will buy dollars through their banks at a market exchange rate. Exporters will have to sell to the government at least 10 per cent of their foreign exchange earnings (at the market price). As soon as they become more confident that real convertibility has been established, they will certainly sell more. There will thus be a unified foreign exchange market.

There is one exception — which is, in fact, superficial. Exporters of oil, gas, timber and precious metals will have to sell to the government 40 per cent of their foreign exchange earnings at half the market price. This is, in essence, a royalty similar in effect to the levies taken on natural resource exports by most governments in the world.

Freeing markets is the first element in the reform. The aim is that prices should rise once and for all — to eliminate the monetary overhang — and then remain stable. The task of stabilisation is the most difficult, and involves three steps.

First, the budget must be balanced. This is a goal from the first quarter of this year. On the expenditure side, freeing prices means that most subsidies will be eliminated, especially on meat. Drastic cuts will also be made in defence procurement.

On the tax side, much of the old, indirect tax structure has collapsed, and, for the last three years, the Finance Ministry has been preparing instead a value added tax. The VAT has now been introduced at 28 per cent. There are also an enterprise wage tax (37 per cent) and a profits tax (32 per cent). The tax yield is difficult to forecast, but the government shall do all it can to collect in revenue as much as it spends.



Gaidar: 'stabilisation is the most difficult task'

This is one significant step in achieving monetary control. The other is to impose effective limits on lending to enterprises. Here the government is engaged in urgent discussions with the central bank, since effective limits are essential to the success of the programme.

The final need is to stabilise the rouble. At present, the supply of foreign exchange is so small that the rouble is grossly undervalued. Prices of traded goods in Russia today are about 20 times below world prices calculated at the existing exchange rate. This situation is fraught with danger. Unless the exchange rate appreciates, prices are bound to go on rising many times over.

Tight money is the key to raising the external value of the rouble. But we also need to peg the exchange rate, in order to set a ceiling to inflation and to give enterprises the confidence to part with their dollars. Unfortunately, Russia has no international reserves for this purpose: they were squandered by the Union government. Foreign assistance is urgently needed in preparing a fund to stabilise the rouble.

While we have already taken significant steps towards establishing financial discipline, there has to be some moment soon when all the remaining measures are put in place. If we are to stop inflation rolling, March is the time to act.

The possible package is being discussed with the International Monetary Fund, since a programme that is to succeed must have outside support. We need three kinds of help.

The first is humanitarian aid. The western response here has been generous and we greatly welcome the conference today in Washington called by Mr Baker.

The second is general balance of payments support. Last year, imports fell by more than a third. This had a devastating effect on living standards and on industrial production which depends on certain critical imports. We cannot immediately restore our exports, so help is essential to prevent economic collapse. Finally, we need a stabilisation fund to peg the rouble at a reasonable rate.

The sums of money needed are similar on a per head basis to those given to Poland. President Yeltsin wrote to the G7 about the stabilisation fund in early December. The G7 countries are now waiting for the outcome of our discussions with the IMF. However, it would greatly help Russia's ability to plan if the G7 finance ministers, at their meeting in Washington later this week, could give some indication of what help might be available on what conditions.

Stabilisation plans must be announced as soon as possible. Unless the people can see that inflation is going to be capped, wages will increase again and we shall then be into a disastrous wage-price spiral.

Aid offered now can help prevent this. It would be much more valuable than aid offered later.

The author is deputy prime minister of the Russian Federation and minister of economics and finance.

FOREIGN AFFAIRS

Robert Mauthner

Democracy, not expediency

The reaction to the Algiers coup could affect the west's credibility with developing countries

Governments, like individuals, are frequently guilty of inconsistency and double standards in their behaviour and moral attitudes. But today, when the triumph of democracy over communist authoritarianism is being trumpeted almost daily, the discreet official western reaction to recent developments in Algeria is unfortunate.

The sigh of relief which went up from Washington and European capitals when, following the resignation of President Chadli Bendjedid, the second round of the Algerian elections was postponed indefinitely, was almost audible. The fact that the fundamentalist Islamic Salvation Front (FIS) was thus deprived of an almost certain victory, was clearly considered to be of much greater importance than the unconstitutional manner in which the deed was done.

To deplore the absence of western condemnation of what was essentially a military coup, does not mean that the fears of seeing an Islamic regime rule a country on the threshold of Europe were unjustified. Judging by some of the statements made by FIS leaders, it was entirely possible that, once in government, the fundamentalists would have dispensed altogether with the democratic system which had allowed them to come to power.

That, however, could not be considered a foregone conclusion. Algeria has a strong presidential system, under which the directly elected head of state has considerable leeway to thwart the designs of any government, unless prevented from doing so by illegal means.

Infinitely more important as a reason for condemning the Algiers coup is that the outcome of any genuinely democratic election should be accepted, however unpalatable it might appear to those in power or interested third parties. The failure on the part of western governments to take a clear stand on the subject is not only a denial of their own oft-proclaimed principles, but could have unfortunate consequences for the credibility of their policies and relations with developing countries.

During the past two or three years, western donors have increasingly linked their aid to political reform, in addition to economic adjustment programmes in the recipient countries. In the past, strategic and ideological factors such as the desire to halt the spread of communist influence in Africa, Asia and the Middle East were the main political considerations in the use of aid. But following the collapse of communism and the break-up of the Soviet Union, the emphasis has switched to the promotion of "good government", including notably democratic political systems and the respect of human rights.

These policies have been set out with commendable clarity by the main donor governments. In a speech in June 1990, Mr Douglas Hurd, the UK foreign secretary, spelled out his government's policy in the following unambiguous terms: "Countries which tend towards pluralism, public accountability, respect for the rule of law, human rights, market principles should be encouraged. Governments which persist with repressive policies, corrupt management, wasteful and discredited economic systems should not expect us to support their folly with scarce aid resources which could be better used elsewhere."

French President François Mitterrand was equally outspoken when he addressed a summit of francophone African heads of state at about the same time. France would be less generous towards regimes which acted in an authoritarian manner "without accepting evolution towards democracy". Similar criteria for aid were laid down by both the US and Germany, while Japan, the world's biggest aid donor, last year expressed its intention to reduce foreign aid to those countries which spent too much on defence.

There are obvious economic motives: countries with democratic and free market regimes are generally considered to manage their economies more efficiently than centralised socialist systems, although the transition from command and one-party systems is often long and painful.

But this has by no means been the only consideration. The new world order, to the extent that it has been defined at all, assumes that international co-operation will take place between free and open societies. If the (English-speaking) Commonwealth made anything clear at its last heads of government meeting in Harare in October last year, it was this essential principle.

Moreover, aid recipients have been left in no doubt that western donors are not just posturing. The linkage of aid to political reform in the former Soviet Union and eastern Europe has been mirrored in policies concerning the developing world, sub-Saharan Africa in particular. With some exceptions, the donors have been prepared to "punish" those that have failed to liberalise their political regimes.

'Paristroika', as it has been dubbed, has deprived even France's closest friend and ally in Africa of French military assistance

The US and the Scandinavian countries led the way in the case of Kenya by adopting a tough position on human rights violations in that country and by making it clear that they would suspend their aid in the absence of progress towards more open and democratic government. The UK, for long a strong supporter of Kenya's President Daniel arap Moi, followed suit somewhat belatedly and, together with other donors, last November suspended all new aid commitments. It had already cut off aid to the Sudan, Somalia and Burma and suspended new aid to Ethiopia and Sri Lanka for similar reasons.

The French, too, have modified their traditional policy of providing financial and military aid to their former colonies, regardless of the iniquities perpetrated by their dictatorial regimes. Thus, France, as well as Belgium, suspended their aid to Zaire following persistent human rights abuses and the refusal of President Mobutu Sese Seko to introduce meaningful political reforms. French troops are still sent periodically "to protect" French nationals during riots in countries such as Gabon and Zaire. But "Paristroika", as it has been dubbed, has gone as far as depriving even France's closest friend and ally in Africa, President Félix Houphouët-Boigny of the Ivory Coast, of French military assistance when his position was threatened by an army mutiny in May 1990.

The "good government" policies adopted by the donor countries since the beginning of 1990 would doubtless have remained a dead letter during the Cold War, when recipients could play off the west against the Soviet Union. But in the new international climate they have proved remarkably effective, in spite of the persistent objections of countries such as India and Malaysia that they are tantamount to an infringement of national sovereignty. Deprived of alternative patrons and faced with the bankruptcy of a communist system which served as the model for many regimes, an increasing number of developing countries have begun to apply the new political and economic norms.

The trend has been particularly marked in sub-Saharan Africa. Although many authoritarian regimes remain in place, single-party systems are no longer in favour. Long-standing African democracies such as Botswana, the Gambia, Mauritius and Senegal have been joined by newly independent Namibia, Cape Verde, Benin and Zambia, where the "father of the nation", Mr Kenneth Kaunda, was voted out of the presidential office he had held since the country's independence. Even Mr arap Moi has finally committed himself to multi-party elections, although no date has been set.

The west, which has enthusiastically supported these developments in sub-Saharan Africa, should be equally firm in backing democratic change in North Africa. As in Algeria, there is always a risk that the result of democratic elections will be viewed as undesirable. But if political expediency rather than democratic principle is to become the main criterion for judging such polls, western nations will forfeit the growing support for their "good government" policies in the developing world.

LETTERS

Wilful limitation of expenditure hits a compelling spending concept

From Mr Martin Stoll.

Sir, In his excellent "Economics Notebook" (January 20), Peter Norman discusses the idea of boosting the economy via local authority spending. The concept is compelling and yet, he tells us, a Treasury spokesman dismissed the idea on the grounds that "local authorities do little infrastructure spending apart from housing".

If that Treasury spokesman sent his children to a local school he would be only too aware of an area of local authority infrastructure crying out for more spending. As long ago as 1987, the Audit Commission estimated that £2bn needed to be spent on school maintenance; a recent Labour Party survey reckons that schools now need £3.3bn to put their buildings in order.

In my children's school, the Victorian building has outdoor lavatories, no damp-proof course and a heating system that needs constant attention. The other half of the school has been housed in "temporary buildings" for the last 30 years. The local authority has no money to pay for the upgrading that is needed and would no doubt welcome the release of some of the cash that is "slumbering in the banks". A similar story could probably be told for every education authority in the country. Will another generation of schoolchildren have to make do, while the Treasury continues to limit expenditure so wilfully?

Martin Stoll,
45 Canfield Gardens,
London NW6

Technical hitch

From L G L Unstead-Joss.

Sir, How foolish of Lloyd's to imagine that a little tinkering with the finances of the group will prevent a recurrence of the misfortunes that have fallen on it!

Its problem is not fundamentally financial — it is technical. Insurances were arranged in absence of knowledge of the technicalities of the risk — certainly in the case of asbestosis, and no doubt in other cases as well. If agents are too feckless to learn these technicalities, no accurate assessment of correct rates will ever be possible.

L G L Unstead-Joss,
4 Liberton Gardens,
Edinburgh, EH16 6JR

Positive return would come from provision of child care

From Dr Bronwen Cohen and Mr Neil Fraser.

Sir, Edward Balls ("The Double Bind for Working Parents", January 17) dismisses as "wild claims" the findings of our analysis of Treasury savings from public investment in childcare contained in our report "Child care in a Modern Welfare System".

Our study examined increased tax revenue from a growth in women's employment and higher levels of women's pay (through a reduction of the career break penalty) and from increased employment in childcare. It also identified substantial benefit savings through reduction of child and family poverty. We conclude that while the cost of providing childcare is high, it would provide a positive return in the medium and long term.

We are somewhat confused by Mr Balls's arguments. We envisage an expansion of the female labour force by 1.5 to 17.3 per cent, and not as Mr Balls asserts of 33 to 150 per cent. Strangely, he seems to assume that the provision of childcare would result "in a large influx of unskilled labour and that public subsidies for childcare would inevitably favour skilled women". We have recommended a structure of services which would provide access to all families but which would facilitate an upgrading of skills and a reduction in skill wastage. It is widely recognised that the economy suffers from supply side constraints including skill shortages making it inflation-prone. We argue that the provision of childcare services would increase the skilled as well as the unskilled labour supply enabling the economy to be run at a higher level and still meet its inflation target.

Our report details the strong social arguments which themselves make the case for the public funding of childcare. These include, in addition to those mentioned in the article, a substantial reduction in the unacceptably high levels of child poverty in this country. However, although we stress that our study is exploratory, we do believe that it demonstrates that the arguments for public funding of childcare are not just social but indeed economic. We would, however, agree with Mr Balls that it *is* important to ensure that public subsidies of childcare are in a form which is not distributionally regressive as with for example, tax allowances.

Bronwen Cohen,
Neil Fraser,
Institute for
Public Policy Research,
30-32 Southampton Street,
London WC2

● *The article should have read: "The report argues that the extra tax revenue, generated in part by an estimated 33-150 per cent rise in full-time equivalent employment of women with children under five, would more than pay for the scheme."*

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Reforms essential if break-up of power duopoly to be avoided

From Mr Peter Rost MP.

Sir, We welcome your support for a Monopolies and Mergers Commission investigation into the electricity industry in your leading article, "Competition in the electricity industry" (January 20). The recent critical report by Offer following its investigation into prices in the pool emphasised their "artificiality" and confirmed that "the dominant market position of the two major generators gives them the ability to influence and control pool prices".

Although most consumers are on contracts, these are related to pool prices. Contract price increases now having to be renegotiated indicate unacceptable and unjustified rises, damaging to industrial consumers.

The regulator must now enforce changes in the price regulation formulae for use of system charges. The pool rules for capacity payments must be reviewed. Price discrimination which prevents large users from negotiating appropriate prices to reflect large regular demand must be removed. Economic justification for plant closures by the duopoly should be tested in the market, by offering them for sale at site value to other interested operators. Offer must be granted explicit powers to take action within the pool, to regulate uncompetitive bidding behaviour by generators.

Unless these reforms and tougher regulation produce a more competitive market, a recommendation by the MMC for a break-up of the duopoly becomes inevitable.

Peter Rost,
chairman,
Major Energy Users' Council,
House of Commons,
London SW1A 0AA

Alcan's import plans in the can

From Mr Richard Gaunt.

Sir, Observer's suggestion ("Outside job", January 16) that the new British Alcan Aluminium can recycling plant at Warrington is facing liquidation because it cannot get enough cans is ludicrous.

This £28m investment is designed to meet Britain's aluminium can recycling needs into the next century. It is certainly no secret that we have always planned to import used drinks cans to feed the plant during its first years while the collection infrastructure develops in the UK.

Every week we handle a greater volume of used drinks cans from the UK, as more and more people learn that they can not only help the environment, but also make money.

The only "liquidator" at the Warrington plant is the man who operates the melting furnaces.

Richard Gaunt,
corporate affairs manager,
British Alcan Aluminium,
Chalfont Park,
Gerrards Cross
Bucks SL9 0QB

FINANCIAL TIMES
Wednesday January 22 1992

President's policy change follows business complaints over growing regulatory burden

Bush plans freeze on new regulations

By Lionel Barber in Washington

US PRESIDENT George Bush plans a three-month freeze on new federal regulations and a review of existing rules as part of an economic recovery programme to be unveiled in his State of the Union address next week.

The proposed moratorium, a policy U-turn for Mr Bush, follows business complaints at the growth of federal regulation during his presidency. The freeze would cover most government agencies, including those responsible for food, transport, the environment and communications.

During his three years in office, Mr Bush has presided over the broadest extension of the federal government's regulatory reach since the second Nixon administration of the early 1970s.

Working with the Democratic majority in Congress, Mr Bush signed the 800-page Clean Air Act in 1990, imposing a regulatory burden with an estimated cost of up to $30bn a year for business. The Americans with Disabilities Act, estimated to cost business up to $2bn a year, also passed in 1990.

Mr Bush, who vowed in the 1988 presidential campaign to become the "Environmental President", often promotes this domestic legislation to counter criticism that he has spent too much energy on foreign policy.

But in recent months, as the US economy has failed to pull out of recession, business leaders have lobbied the White House to scrap unnecessary rules and lift the burden on business.

This has encouraged Vice-President Dan Quayle, who chairs the Council on Competitiveness, to become more active in scrutinising regulations. It has also led to open warfare with the powerful Environmental Protection Agency, led by Mr William Reilly, the former president of the World Wildlife Fund.

The proposed 90-day moratorium is being pushed by Mr Michael Boskin, chairman of the Council of Economic Advisers, Mr Boyden Gray, the White House counsel, and Mr Quayle.

In addition, existing regulations – including those developed by the present administration – would be reviewed with a view to avoiding unnecessary bureaucracy. However, major legislation such as the Clean Air Act was not expected to be attacked, one administration official said.

The proposed three-month moratorium mirrors a similar freeze on federal regulation ordered by President Ronald Reagan in 1981. Mr Bush, then vice-president, was later appointed head of a task force to enforce deregulation.

The growth in federal regulations under President Bush stems both from campaign promises made in 1988 and the administration's desire to co-operate with the Democratic majority in Congress.

Tussle on economy, Page 4

Rise in trade margin may increase friction in relations with US

Japan's trade surplus grows by 50%

By Robert Thomson in Tokyo

JAPAN'S TRADE surplus rose to $78.2bn last year, up 50 per cent on 1990. The increase ends four years of decline and highlights renewed international attempts to strengthen the yen.

The Ministry of Finance said exports rose 9.6 per cent to $314.6bn, while imports increased only 0.7 per cent to $236.4bn. On a yen basis, exports rose 2.2 per cent to Y42,370bn and imports fell 5.9 per cent to Y31,850bn.

Figures for December, in which the surplus was up 84 per cent from a year earlier to $10bn, suggest that the 1992 surplus could surpass the previous record of $82.74bn in 1986. The seasonally adjusted surplus in December was $7.26bn, down from $7.43bn in November.

Japan's 1991 exports to the EC rose 10.5 per cent and imports from the EC fell 9.3 per cent, resulting in a surplus of $27.37bn, a 48 per cent increase, although the rate of growth has slowed in recent months.

The surplus with the US rose 1.4 per cent to $38.45bn. It was the first increase since 1987 and, with Washington focusing on the bilateral surplus this year, indicated that friction between the two countries could intensify in coming months.

Indeed, the trade figures come at a very difficult time for Japanese-US relations. Only yesterday the Japanese government found itself trying to calm US anger over claims by veteran politician Yoshio Sakurauchi that US workers were illiterate and lazy.

The government also felt it necessary to counter US suggestions that Prime Minister Kiichi Miyazawa has attempted to distance himself from the trade agreement on cars that he recently made with President George Bush.

Japan's surplus for the month in trade with the US was $4.46bn, with exports to the US rising 1.8 per cent to $8.39bn and imports from the US falling 17.4 per cent to $3.93bn. Overall, the turnaround in the Japanese surplus last year reflected the slowing of domestic economic growth, a continued increase in demand from Asian trading partners, and a contraction in sales of luxury imports that had surged before the collapse of Japan's financial "bubble".

The Bank of Japan estimates that about 75 per cent of the increase is due to "special factors", including currency fluctuations and lower oil prices. The central bank argues that these will be less important this year and that the growth in the surplus will soon peak.

Mr Russell Jones, chief economist at UBS Phillips & Drew, expects the surplus to continue to grow in the first quarter of this year before levelling off. However, he is surprised by the strength of Japanese exports to the US in recent months.

"When you look at the struggle for recovery in the US, five consecutive months of higher surpluses with the US is a bit surprising. Part of the problem is that US exports to Japan include a lot of commodity items, and lower commodity prices mean a higher bilateral surplus," Mr Jones said.

The December figures reflected the growing importance of Japan's trade with south-east Asian nations, with exports to the region 5.6 per cent higher at $10bn, and imports from the region down 4.7 per cent to $6.1bn. While Japan's trade volume with that region totalled $16.1bn, the volume with the US was $12.3, and that with the EC was $7.9bn.

In December, Japan's exports of electrical machinery rose 11 per cent and precision instrument exports increased 11 per cent, while machinery imports fell 14.8 per cent on the same month in 1990 and materials imports were down 7.6 per cent, partly due to a sharp fall in new construction orders late last year

Jibe stokes tension, Page 3

Algerian $1.5bn loan package in jeopardy

By Simon London in London

A $1.5bn loan package to Algeria, intended to refinance the country's foreign debt with nearly 100 commercial banks, has been put into jeopardy by the reluctance of some lenders to back the plan.

Failure to complete the deal would call into question the government's policy of refinancing Algeria's entire $23.5bn in outstanding foreign debt. It could also endanger new loans recently agreed with supranational agencies to support economic development.

The difficulties emerged yesterday as cabinet ministers met for talks on the economy with the five-strong collective presidency, established a week ago following the cancellation of multi-party elections.

Although western bankers did not link the refinancing problem directly with the political turmoil in the north African state, it will come as a further handicap to the Algiers authorities as they seek to maintain order.

Algeria's debt burden, which stands at double its annual export earnings of $11bn-$12bn, has made it difficult to contain either inflation or unemployment. These adverse economic conditions were seen as fuelling popular support for the fundamentalist Islamic Salvation Front, which had been on target to win the elections.

Local reports suggested that infrastructural projects aimed at creating jobs were under consideration. Some of these would also require the outlay of scarce foreign exchange, however.

Crédit Lyonnais, which is leading the eight-year loan package, was attempting to salvage the deal, designed to refinance principal repayments falling due between now and the end of next year which would postpone the burden of repayment.

Agreement has come from banks representing $1.4bn of the total, but a small number have declined to participate. The deadline has been extended twice and now expires at the end of this month.

Under normal circumstances places could be taken by other institutions. However, some banks have made their commitment conditional on the deal gaining support of all Algeria's commercial creditors.

Among the banks so far declining to accept the package is New York-based Bankers Trust.

If the deal collapses, Algeria may have no alternative but to seek a restructuring of both commercial bank debt and other foreign debt obligations.

Failure could endanger a Ecu400m ($524m) loan agreed by the European Community. The facility was agreed on the understanding that commercial bank debts would be refinanced. Only Ecu250m has been disbursed so far.

Some other international loans are proceeding as planned. For example, the final three parts of a $1.33bn trade finance package for development of liquefied natural gas facilities are still expected to be signed next month.

The loan, lead managed by Citicorp, is backed by the trade finance agencies of five governments.

Algiers coup, Page 11

German groups cut UK spending sharply

By Charles Leadbeater, Industrial Editor, in London

THE RECESSION is exacting a heavy toll on German manufacturing investment in Britain, which fell by almost half in the first six months of last year to about £470m ($841m), according to figures published yesterday.

The report, by the German Chamber of Commerce in Britain, shows that investment in the UK fell to a rate of £940m a year in the first half of 1991, down from £1.8bn the year before and £1.5bn in 1989.

The chamber said the drop reflected the severity of the UK recession rather than a diversion of investment into eastern Germany.

The figures are a blow to UK hopes that foreign manufacturing investment would help to offset cuts imposed by British companies.

However, the survey, covering 361 of the 967 German companies in the UK, suggests that investment will pick up again once the recession is over.

About 82 per cent of manufacturers said that they planned to make further investments soon; 19 per cent of companies without manufacturing plants said they planned to set them up, and most companies were pleased with the return they had earned on their investment, with labour productivity and with industrial relations.

In spite of this endorsement of the UK as the second largest recipient of German investment after the US, German industrialists raised serious doubts about the long-term outlook for British industrial competitiveness.

Mr Juergen Gehrels, chief executive of the British operations of Siemens, the electrical and engineering group, said Britain would not be able to attract foreign investment indefinitely on the basis of low labour costs.

Mr Gehrels said Britain's decision to opt out of the European Community's social charter was vital to maintaining its attractiveness as a manufacturing base.

However, he warned: "It may be that Britain cannot yet afford to join the social charter. But it will have to if it is to become a modern pluralistic society."

He said it would prove impossible to win purely on the basis of labour costs. The chamber's report urges greater investment in training and transport infrastructure.

The survey found that 82 per cent of German companies which already manufacture in the UK plan to expand over the next five years by investing almost £1bn.

Only 9 per cent said the rate of productivity in their UK plants was unsatisfactory. About 57 per cent of manufacturers said productivity was either good or excellent, a fall from 65 per cent reported in the previous survey three years ago.

Dr Bernd Atenstaedt, head of the chamber's industry and tax division, said the main reason for the fall was that German companies were increasingly expanding by acquiring British companies rather than setting up greenfield plants.

Trends and Views on Direct Investment By German-Owned Companies in the UK, available from the German Chamber of Industry and Commerce in the UK, Mechlenburg House, 16 Buckingham Gate, London SW1E 6LB. Price £30 for non-members.

Health warning: Professor Ian Oswald yesterday

Professor defies threat

Continued from Page 1

size of the dose.

He added: "This means Halcion is just as likely to induce mentally ill effects in small doses as large. There is no dose dependency."

An Upjohn executive argued in a US newspaper this week that Dr Oswald was in no sense an unbiased, neutral reviewer of the data.

Dr Oswald yesterday challenged Upjohn to make public confidential data from clinical trials if it wanted to clear its name. "I am only interested in the truth," he said. "That is my only concern."

Airbus crash rekindles computer control doubts

Continued from Page 1

say the controls are too sophisticated.

This is the third crash since the A320 came into service four years ago. Pilot error was blamed for the previous two accidents.

Mr Romain Kroes, secretary general of the French civil aviation pilots' union, SPAC, said: "Each time the crew is blamed whereas the responsibility is really shared in the hiatus between man and machine."

The main French navigators' union, USPNT, said the crash underlined the need for a three-man rather than a two-man cockpit crew in the A320, reviving a long-running union battle in France over cockpit staffing.

The union also called into question the design of the A320 controls and cockpit layout. It maintained that these had been issues in both the two previous crashes, at Habsheim in France and Bangalore in India.

But the main French pilots' organisation, SNPL, sought to calm speculation that the A320's sophisticated computer controls were a factor in the crash.

Pilots of Air Inter, the domestic carrier owned by Air France, had adapted to A320 technology and "no longer had any real problems", said Mr Hugues Gendre, president of the SNPL.

The A320 which crashed had passed a security inspection only hours before the flight.

Airbus sent four experts to the scene and declined to speculate on the cause.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	10	50
Algiers	S	13	55
Amsterdam	S	-1	30
Athens	F	14	57
Bahrain	C	19	66
Bangkok	F	30	86
Barcelona	S	8	46
Beirut	F	16	61
Belfast	C	5	41
Belgrade	Sn	-4	25
Berlin	S	-4	25
Biarritz	C	5	41
Bombay	S	30	86
Bordeaux	C	5	41
Boulogne	S	1	34
Brussels	S	-1	30
Budapest	S	-3	27
Buenos Aires	F	31	88
Cairo	F	17	63
Cape Town	S	24	75
Caracas	C	28	82
Casablanca	F	14	57
Chicago	S	-2	28
Cologne	S	0	32
Copenhagen	F	0	32
Corfu	R	10	50
Dallas	S	3	37
Dublin	S	5	41
Dubrovnik		–	–
Edinburgh	F	1	34
Faro	S	12	54
Florence	S	3	37
Frankfurt	S	-2	28
Geneva	C	-3	27
Gibraltar	S	15	59
Glasgow	C	3	37
Helsinki	C	0	32
Hong Kong	F	15	59
Innsbruck	F	-5	23
Inverness	S	4	39
Islamabad	F	19	66
Istanbul	F	5	41
Jakarta	R	32	90
Jersey	S	4	39
Johannesburg	S	26	79
Lima	F	28	82
Lisbon	C	6	43
London	S	3	37
Los Angeles	C	10	50
Luxembourg	S	-3	27
Madeira	C	17	63
Madrid	F	4	39
Majorca	S	10	50
Malaga	S	14	57
Malta	S	15	59
Manchester	S	2	36
Manila	F	31	88
Melbourne	S	19	66
Mexico City	C	20	68
Miami	S	12	54
Milan	F	1	34
Montreal	Sn	-15	5
Moscow	Sn	-12	10
Munich	S	-8	18
Nairobi	S	27	81
Naples	F	9	48
Nassau	C	26	79
New Delhi	S	25	77
New York	C	-3	27
Nice	F	12	54
Nicosia	S	16	61
Oporto	S	9	48
Oslo	C	-5	23
Paris	S	0	32
Peking	S	5	41
Prague	S	-4	25
Reykjavik	F	3	37
Rhodes	S	14	57
Rio de Janeiro	C	27	81
Rome	R	6	43
Salzburg	S	-6	21
San Francisco	S	6	43
Seoul	S	3	37
Singapore	S	26	79
Stockholm	S	-1	30
Strasbourg	S	-3	27
Sydney	S	29	84
Taipei	F	19	66
Tangier	C	12	54
Tel Aviv	R	11	52
Tenerife	F	20	68
Tokyo	F	8	46
Toronto	C	-5	23
Tunis	F	15	59
Valencia	S	11	52
Venice	S	2	36
Vienna	S	-5	23
Warsaw	S	-7	19
Washington	S	-3	27
Zurich	F	-6	21

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

The true worth of dividends

Some anniversaries are best forgotten – but it is worth recalling that it was just a year ago when M & G's controversial strictures on UK dividend policy were thudding on to boardroom desks. Mr Paddy Linaker, M & G's boss, insists it would have been tedious to repeat the message in his most recent 12 monthly missive to chairmen of companies in which his unit trust group holds a significant stake. But it is perhaps appropriate that he has not. M & G's views may not have changed, but the fact that the only mention of dividends this time round is to thank those who have maintained or increased payouts in difficult times seems symbolic of a wider realism which has crept into institutional thinking.

It would be wrong to conclude that the City is always more forgiving. Trafalgar House and British Steel, whose share prices both fell 30 per cent in the immediate wake of dividend warnings late last year, would presumably testify to that. Companies, moreover, will no doubt do their damndest to avoid an action which inevitably gets interpreted by investors as a lack of confidence in the future and tends to invite the interest of unwanted predators. Having said that, those boards now forced by recession and the slowness of recovery to contemplate the previously unthinkable are more likely to get a sympathetic reaction than they were a year ago.

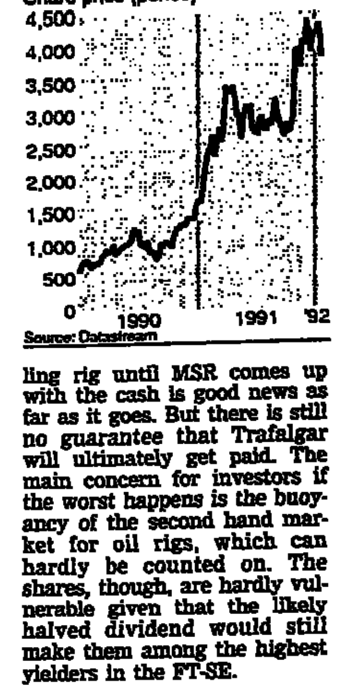
This is long overdue. US academic research suggests the market value of a company is not normally increased by a generous distribution policy. Businesses, moreover, ought to be able to take advantage of the flexibility of equity capital in a downturn and to adapt payouts to a new level which looks sustainable over the medium term. Lonrho's results tomorrow may provide an indication of boardroom thinking, but a clearer picture will not emerge until the Spring when the likes of, say, Wimpey and Tarmac will be sure to give a lead to the distressed contracting sector. There are bound to be some nasty surprises – but with only seven FT-SE stocks yielding more than 10 per cent the worst shocks could be among the second liners.

Trafalgar House

Trafalgar may have won the battle, but the war is not over. Yesterday's court judgment confirming that the company keeps the title to Davy's ill-fated Ocean Emerald drilling rig until MSR comes up with the cash is good news as far as it goes. But there is still no guarantee that Trafalgar will ultimately get paid. The main concern for investors if the worst happens is the buoyancy of the second hand market for oil rigs, which can hardly be counted on. The shares, though, are hardly vulnerable given that the likely halved dividend would still make them among the highest yielders in the FT-SE.

FT-SE Index: 2543.4 (-1.5)

Borland International



Source: Datastream

US bonds

One of the big fears in the US Treasury bond market after the Salomon Brothers' debacle was that the authorities would become over-zealous in their approach to regulation. Instead, the Treasury appears to have decided to let market forces mete out their own punishment on any dealer rash enough to try a bit of manipulation. Its mere threat to counter any squeeze by unscheduled sales of additional paper should render attempts by big operators to corner a particular issue too risky. The Treasury's almost insatiable demand for funds gives it the muscle to intervene massively in the bond market if it wishes.

Once the new plan is up and running, traders should become less worried about being caught in a squeeze after selling short. The result should be a more liquid market and one where deals are done at genuine prices. Admittedly, this assumes that the authorities are now better placed to detect a squeeze; they were dilatory in latching on to last May's effort, which eventually proved Salomon's undoing. The downside is the likelihood of greater short-term price fluctuation, while government bond dealing could become less profitable for the bigger houses. Nor can the Treasury expect to raise much money through its intervention issues.

At first sight, the new plan looks as though it could be the first step down a road towards UK-style tap issues which would give the Treasury flexibility to borrow cheaply at times of strong investor demand. But the US Treasury's requirements are too large for this, and regular but unpredictable issuance outside the auctions could undermine the futures market which investors use to hedge a whole spectrum of issues. The new weapon will have to be used sparingly and essentially punitively. But that, after all, is the purpose for which it is intended.

Borland

The computer industry has had more than its share of glamour stocks. So when a group such as Borland International, the California-based software company, pauses for breath, the inevitable question is whether it might be about to fall from grace. Given that its shares have risen more than eight-fold in the last two years, Borland has a long way to fall. Whereas a year ago its third quarter results sent the shares up by more than 10 per cent, yesterday they fell 6 per cent on confirmation that earnings were flat thanks only to a one-off tax credit.

The slowdown can be blamed on the $430m friendly acquisition last summer of Ashton-Tate, a rival which was falling apart in such classic fashion that some observers doubted it was worth rescuing. Ashton-Tate's strength in the market for databases gave Borland a full range of products with which to tackle competitors such as Lotus. But in the short term, the effect has been to load the group with restructuring costs totalling $116m. Although Borland has set about integrating Ashton-Tate with impressive speed, the real test will come in its next financial year when it expects to start growing again.

In the meantime, shareholders face a dilemma. Borland's determination to compete with the biggest in the business has caused its shares to lag the recent rise in software stocks both in the US and the UK. Micro Focus, for example, has risen 40 per cent since early December. But if it pulls it off, the really big returns may yet lie ahead. Perhaps investors should hedge their bets like some of Borland's own directors and sell part of their holdings.

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INSIDE

Sansui doubles loss forecast

Sansui Electric, the Japanese audio specialist caught up in the collapse of the Polly Peck group, has nearly doubled its estimate of losses for last year. The group has also announced a voluntary redundancy programme aimed at cutting its workforce by one-third, to about 300 employees. Steven Butler reports. Page 16

Mitsubishi grabs market share

Mitsubishi Motors enlarged its share of Japan's domestic vehicle market last year at the expense of big producers such as Toyota, Nissan, and Mazda. It increased its sales 6.2 per cent in a market that declined 3.2 per cent. Page 16

Derivatives under scrutiny

With share prices at their lowest since October 1990, the Tokyo Stock Exchange has announced that a task force will examine tighter controls over stock index futures and options trading. Exchange officials say new controls are necessary because the futures market is primarily used for speculation and is the source of violent price movements in the cash market. Page 14

BP quits Egypt

British Petroleum is pulling out of Egypt. The company is selling its oil production assets to Repsol Exploracion, a subsidiary of the Spanish state oil company, for $125m (£69.8m). The disposal is part of BP's drive to focus on its core exploration areas and to withdraw from countries where it has failed to reach a critical mass. Page 20

Spurs fans help raise £7m

The £7m rights issue by Tottenham Hotspur, the London football club, was taken up by more than 2,000 shareholder fans at 125p — a premium of 30p over yesterday's market price.

Russia sets aluminium target

Russia, the newly-created republic desperate for foreign currency, aims to export 1m tonnes of aluminium this year, the same amount as in 1991, when the sudden flood of Soviet metal created turmoil in the western aluminium industry and sent prices spiralling down to their lowest-ever level in real terms. But the human factor may intervene — with not enough food for workers and their families, one smelter has taken to bartering aluminium for powdered milk. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Ossa	203	+	13
Aachen Mch	825	+	15	Poliet	442	+	22
AS Ind & Verk	690	+	14	**Falls**			
Degussa	326.5	+	8.6	Eurocom	605	−	13
Linotype-Hell	332	+	12	SLIC	553	−	26
Falls				Union Immob	493	−	20
Didier-Werke	159	−	10	**TOKYO (Yen)**			
Lahmeyer	801	−	13	**Rises**			
NEW YORK ($)				Nomura	3840	+	390
Falls				**Falls**			
Apple Comp	61¾	−	2⅛	Daikyo	1060	−	100
BankAmerica	38⅞	−	1⅛	Fujitsu Kiden	1470	−	130
Cray Research	42⅝	−	2⅝	Heiwad	430	−	36
Microsoft	117¾	−	4¾	Japan Casting	420	−	35
Utd Tech	54⅛	−	1⅛	Sawafuji Elect.	665	−	55
Wells Fargo	64⅞	−	3				
PARIS (FFr)							
Rises							
Bouygues	559	+	17				

New York prices at 12.30.

LONDON (Pence)							
Rises				Applied Holog	84	−	9
Bliss	63	+	3	Borland Intl	3850	−	250
Budgens	36	+	3	Brit Aerospace	296	−	16
Central Motor	122	+	18	Cable & Wire	589	−	17
Electron Hse	36	+	6	Honeysuckle	26	−	5
Euromoney Publ	613	+	15	Lon & Manchstr	263	−	22
Inchcape	438	+	12	Matthew Clark	424	−	18
Independent Nws	335	+	15	Matthews (B)	59	−	3
Low (Wm)	274	+	17	Mid & Scot Res	38	−	12
Madeon	295	+	7	Sheriff	59	−	3
UK Land	25	+	7	WPP	42	−	3
Falls							

UTC unveils big restructuring programme

By Martin Dickson in New York

UNITED Technologies announced yesterday that it would cut its workforce by almost 14,000 over the next two years, close or consolidate more than 100 facilities around the world and take a $1.275bn fourth-quarter pre-tax charge against earnings.

The US aerospace and building products group has been hit hard by recession in the US, lower American defence spending and turmoil in the world civil aviation industry.

It is the latest in a long list of blue chip US companies to announce severe cuts.

The group's businesses include Pratt & Whitney, one of the world's leading aero-engine manufacturers, Sikorsky helicopters, Otis elevators and Carrier, the air conditioning company.

UTC said the restructuring charge, together with a $256m pre-tax charge to increase its reserves for environmental issues, produced a fourth-quarter net loss of $1.22bn, or $10.33 a share. That compared with net income of $168.8m or $1.24 a share a year earlier.

The company said the shake-up should produce annual cost savings of $1.1bn by 1994. It is aiming for an 18 per cent return on equity by that year compared with 15.1 per cent in 1990.

The package involves cutting about 7 per cent of the group's workforce, including a 12 per cent drop in executive jobs, which will save about $440m a year. It will include severance and increased early retirement programmes. The plant rationalisation will reduce manufacturing capacity by 16 per cent, saving $260m annually.

Mr Robert Daniell, chairman, said UTC also planned fundamental improvements in its design, engineering and manufacturing processes, which would save about $380m a year. UTC would become "leaner and tougher minded", he added.

Mr Daniell won wide praise after he took over as chairman in 1986 for reducing UTC bureaucracy and cutting costs, but Wall Street's enthusiasm has waned over the past year, because of a decline in profits, the uncertain and intensely competitive market facing Pratt & Whitney and continuing poor results at Carrier.

The biggest restructuring will be at Pratt & Whitney. It will shed 5,000 jobs, or 11 per cent of its workforce, shrink manufacturing space by 30 per cent and cut manufacturing suppliers from about 500 to less than 250.

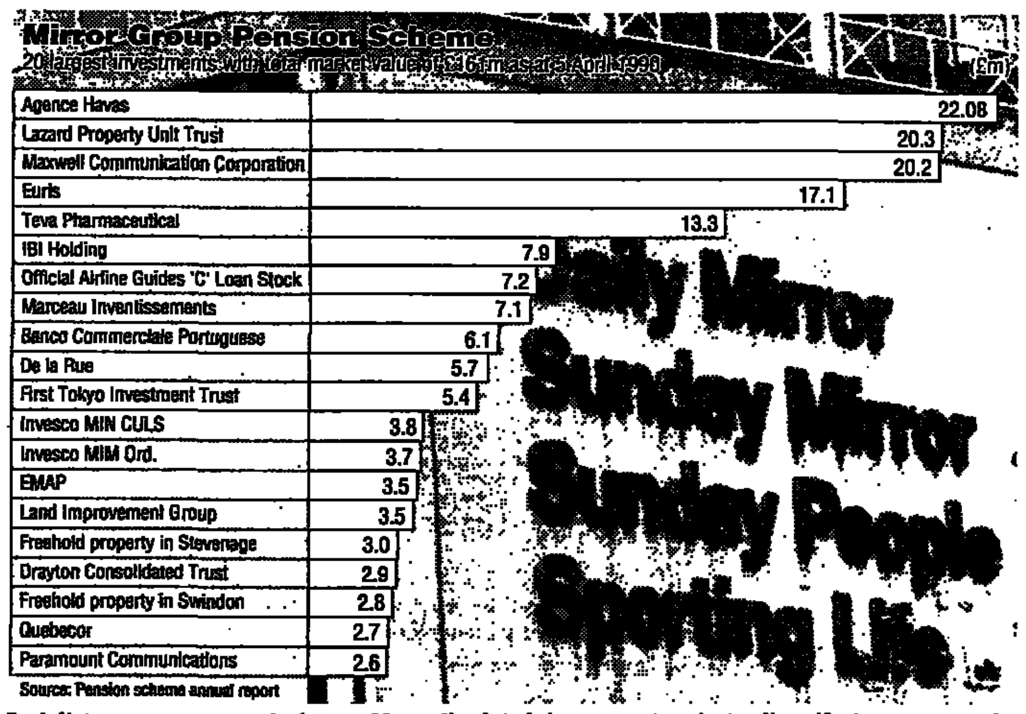
UTC officials said the changes should more than eliminate the 5 per cent manufacturing cost advantage which they estimated that General Electric, the other leading US aero-engine producer, now enjoyed over Pratt.

In the fourth quarter, Pratt saw operating profits before charges dip from $252m to $138m, because of lower engine volume and spare part sales.

For all of 1991 UTC reported a loss of $1.02bn, or $8.91 a share, compared with income of $750.6m, or $5.53 a share in 1990.

Norma Cohen explores issues of vigilance faced by UK trustees

Questions over the Maxwell pension funds



Source: Pension scheme annual report

For anyone running or contributing to a UK pension fund, the Maxwell saga raises some worrying questions. Perhaps surprisingly, the most disconcerting lessons are not the way in which Mr Maxwell appears to have looted pension fund assets, but the way in which he may have manipulated the funds to his own advantage, perfectly legally.

By April 1990, for example, over half the 20 largest investments in the Mirror Group Newspapers pension fund were in companies which had some connection with Mr Robert Maxwell and his own private interests. Those investments represented roughly 20 per cent of the fund's total.

From 1985, when Mirror Group newspapers first came under Mr Maxwell's control, the pension fund evidenced a striking transformation from a fund whose largest investments were almost exclusively UK blue chip companies to a fund in which none of the 20 largest investments fell into that category.

So the central question is: in the period before assets began to disappear, were the funds being run in the best interests of beneficiaries or in the best interests of Mr Maxwell? And even if the pattern of investment did make large profits for the fund, did it expose it to undue risk?

For instance, in the year to April 1990, the pension fund's investments in overseas unquoted equities - the most volatile and risky category — rose to £32.1m ($57.4m), roughly 8 per cent of total investments. Investments in unquoted UK companies also rose sharply to £8.4m from £1.7m in 1989. Overall, overseas investments totalled roughly £160m out of £422m in total investments. That ratio is roughly double the exposure of a typical UK pension fund to overseas investments.

But it is the composition of the 20 largest investments that would normally have caused trustees to question the investment managers, according to Mr Robin Ellison, partner at pensions solicitors Ellison Westhorp, and a member of the Occupational Pensions Board. "None of these investments was out of the ordinary for a pension fund," Mr Westhorp said. "But the overall picture raises many questions."

The fund's holdings include a £20.2m holding in Maxwell Communications Corporation (MCC). Other – private – Maxwell companies in the list are a £7.2m holding of the loan stock of Official Airlines Guides, a subsidiary of MCC. It also held a £2.7m stake in Quebecor, an associate company of Mirror Group Newspapers.

The fund also held £5.4m of First Tokyo Investment Trust, an investment trust managed by London and Bishopsgate International Investment Management. This was a subsidiary of Headington Holdings, a company controlled by Mr Maxwell.

Also in the fund are stakes in two privately owned French investment companies, Euris and Marceau Investissements totalling £17.1m and £7.1m respectively. The two companies were involved in an unsuccessful effort to secure control of Société Générale, the French bank, in late 1988, a move said to have had the backing of France's Socialist government and the government-controlled bank Caisse des Dépôts.

At the time, Mr Maxwell was reported to have been one of a group of investors who co-operated in purchasing shares, while Caisse des Dépôts was reported to have purchased a stake in MCC. Caisse des Dépôts was on the MCC share register at the time of the Maxwell group's collapse.

Mr Maxwell may have encouraged the MGN pension fund to take a stake in Société Générale on his behalf. Indeed, the MGN pension fund accounts for the year ended April 5, 1989 – the period covering the raid on Société Générale's shares – show that the fund's second largest investment at that date was a £16.9m stake in Société Générale. By 1990, the stake had disappeared from the pension fund's 20 largest investments, but Marceau Investissements and Euris had appeared in its place.

Maxwell-related investments had begun earlier. In 1986, the pension fund records its first significant Maxwell-related investment, a £2.2m stake in BPCC which the accounts note is "related to the employer". Subsequently, BPCC's name was changed to Maxwell Communication Corporation.

By April 1998 the fund had acquired two other Maxwell-related holdings: a £3.8m stake in Hollis, a company controlled by the Liechtenstein-based Maxwell Trust, and a £3.6m holding of Hollis's convertible loan stock. Hollis later became Pergamon AGB and a £3.6m stake in that company is recorded in the company's April 1989 accounts.

Pensions experts say that there is nothing illegal about any of these holdings. However, Mr Ellison notes general trust law forbids trustees from dealing directly or indirectly with the pension fund unless the trust deed specifically allows it.

"Trustees have three obligations," Mr Ellison said. "The first is to diversify investments, the second is to avoid exposing beneficiaries to undue risk and the third is to act reasonably."

When a fund invests in entities connected with a trustee, the board of trustees should normally question the pattern of investment, and seek independent valuations. Trustees should also question any significant departures from normal patterns of asset allocation, and any unusual investment decisions – such as weighting the portfolio in unquoted overseas investments.

The trustee in the case of the Mirror fund was a corporate entity, MGPT Ltd, chaired by Mr Robert Maxwell. Just what steps the other board members of MGPT took to explore these issues remains unclear, according to Mr Paul Stannard, of Travers Smith Braithwaite, the solicitors advising the new Mirror Group pension trustees. "These are questions that we are seeking answers to," he says.

Institutions face £200m losses, First sales expected, Page 19

AT&T, C and W alliance talks stall

By Hugo Dixon in London

NEGOTIATIONS between American Telephone and Telegraph and Cable and Wireless about forming a global alliance between the two telecommunications groups have broken down because of political concern in the run-up to the UK general election.

A central element of the alliance would have involved the US telecommunications group buying a minority stake in Mercury Communications, C and W's UK subsidiary.

AT&T is understood to have been concerned that it could have become a pawn in a much bigger game between the Labour and Conservative parties in the tense pre-election period.

Talks between the two groups may start again after the election. This is likely to depend partly on who wins – in particular, whether a Labour government changed telecommunications policy – and partly on what alternative alliances the groups pursue in the interim.

C and W's share price closed down 17p at 589p last night as the stock market sensed that a *deal had fallen through. Last* week, when the market believed an agreement was imminent, the price peaked at 632p.

Political worries are not the only reason that a deal between AT&T and C&W, which has been the subject of talks since last September, have not been concluded.

C&W, which is chaired by Lord Young, wants to collaborate throughout Europe, not just on Mercury. But it is not clear whether AT&T, chaired by Mr Bob Allen, is willing to negotiate such a broad deal or would prefer different partners in different geographical markets.

Perrier vows to fight bid from Nestlé and Indosuez

By Alice Rawsthorn in Paris and Haig Simonian in Milan

SOURCE Perrier, the French mineral water and cheese company, yesterday vowed to fight against the FFr13.42bn ($2.46bn) bid launched by Nestlé, the Swiss food group, and Indosuez, the French bank.

At the same time, BSN, another force in the French food industry, threw down the gauntlet to the Agnellis, the Italian industrialists who have mounted a FFr5.6bn bid for Exor, Perrier's biggest single shareholder. BSN declared that it would not allow the Agnellis to further increase their investment in BSN.

Perrier and BSN are embroiled in the battle that is brewing between Nestlé, a traditional ally of BSN, and the Agnellis in the European food industry, a sector long considered ripe for consolidation.

Mr Jacques Vincent, president of both Perrier and Exor, issued a statement condemning the bid by Nestlé and Indosuez saying that it threatened to "dismantle Perrier" by dispersing its brands between Nestlé and BSN.

He affirmed his support for the Agnelli bid for Exor and for the investment in Perrier by Saint Louis, the French paper and packaging company associated with the Agnellis. Both the Exor bid and the Saint Louis investment are being investigated by the French stock market authorities. Nestlé yesterday said it had obtained court orders to freeze Exor's voting stock in Perrier and to freeze Saint Louis' voting rights on its 13.8 per cent stake.

The Agnellis have made no secret of their hopes of raising their indirectly-held 5.8 per cent stake in BSN.

Mr Antoine Riboud, president of BSN, was yesterday quoted in Libération, the French newspaper, as saying that he would block any attempt to increase the Agnelli's investment.

Under the terms of an agreement, the Agnellis are unable to directly or indirectly buy BSN shares without Mr Riboud's consent.

In Paris, BSN's shares slipped by FFr43 to FFr1,111 yesterday after Mr Riboud's rebuff. Meanwhile, shares in companies linked to the Agnelli family fell sharply in Milan, depressing prices on the market as a whole.

Preference shares in IFI, the parent company of IFIL, the Agnelli-vehicle behind the bid for Exor, fell by L200 to L13,700. While ordinary and savings shares in IFIL decreased by L75 and L135 to L5,440 and L3,065 respectively.

Citicorp loan write-offs rise 72%

By Alan Friedman in New York

CITICORP, the biggest US bank which is struggling to contain losses and slash costs, yesterday reported a 72 per cent cent jump in total loan write-offs in 1991 to $4.9bn. The bank also unveiled a $457m loss for the year, compared with a $458m net profit for 1990.

Citicorp's losses, which amounted to $133m in the fourth quarter, had been forecast by Mr John Reed, chairman. Total bad debt provisions for 1991 rose 46 per cent to $3.89bn.

Mr Reed yesterday announced the appointment of Mr Onno Ruding, a former Dutch finance minister, as vice-chairman with responsibility for Citicorp's troubled corporate finance division. Mr Michael Callen, former head of the corporate division, was ousted last week.

The corporate division, which covers North America, Europe and Japan, suffered a 1991 loss of $1.02bn, nearly four times the $275m loss in 1990.

Earnings from the global consumer banking division, which has in the past provided up to 60 per cent of the bank's total core earnings, slumped 39.3 per cent in 1991 to $549m.

The cross-border refinancing portfolio managed a $187m profit in 1991, compared with a loss of $317m the previous year. There was a modest improvement in the international banking and finance division with profit rising to $426m from $407m in 1990.

Mr Reed reiterated his expectation that Citicorp will return to profitability in 1992. He also said the bank's cost-cutting and capital-bolstering plan remained on track. On Wall Street, Citicorp's share price fell $¼ to $14.

Operating expenses in 1991 were $10.3bn, excluding restructuring charges of $750m. In 1990 Citicorp's operating expenses were $10.8bn, excluding $900m of restructuring charges.

The ratio of Citicorp's common equity to total assets at the end of 1991 was 3.4 per cent, down from 3.8 per cent at the end of 1990 and still well below the US banking industry average.

The net loss in the final quarter of last year reflected $654m of commercial net write-offs and write-downs on foreclosed property, as well as a net increase in total bad-debt provisions of $206m in the quarter.

The bank's total revenues for 1991 were $14.8bn, compared with $14.6bn in 1990. Total assets at the end of 1991 were $222bn, down from $232bn a year before. The Citicorp dividend was halted, as previously announced.

Budgens to cut number of shops open on Sunday

By Andrew Bolger in London

BUDGENS, the UK food retailing chain, will reduce the number of its stores open for Sunday trading now that rival food retailers are offering seven-day shopping.

The example of Budgens was cited when leading food chains such as Tesco and J. Sainsbury started Sunday trading last year. Now Budgens will concentrate Sunday opening on stores where it makes sense for its customers – mainly inner-city sites and in holiday areas. "In most cases, Sunday trading does not make sense. People will not eat or drink more, so you are just spreading the same trade across seven days," Budgens said.

"People will realise there is a big hidden financial cost to Sunday opening. It means you need a different management structure, have problems with shelf-filling and repairs must be done at night," said Mr John von Spreckelsen, chief executive.

About three-quarters of Budgens' 95 stores, which are situated in the south-east of England, have opened on Sundays in the last year. Mr von Spreckelsen said the decision on whether to continue Sunday trading would be made store by store, but he did not expect a big impact on results.

Budgens, whose institutional shareholders installed new management last April, yesterday reported pre-tax profits of £2.2m ($3.93m) in the six months to November 28, compared with a restated loss of £33,000 for the same period last year.

Mr von Spreckelsen described the results as a "significant first step on the road to recovery", and said his three-year plan to revitalise the group was on course. Institutions injected £21.7m into the group last summer, after forcing the resignation of Mr John Fletcher as chairman.

Sales rose by 9 per cent to £156.65m. The group said this growth reflected the benefits of improved service and product availability from its Wellingborough depot and a one-off effect from increased trading hours. Trading profits rose by 40 per cent to £3.26m, with operating margins improving from 1.6 to 2.1 per cent.

The pre-tax profit figure was lifted by an £842,000 exceptional gain from a disposal in 1990 to Betta Stores. Earnings per share were 1.46p, compared with a loss of 0.03p last time. There is no interim dividend, as flagged at the time of the refinancing.

Background, Page 19

Peugeot shows evidence of flagging demand

By William Dawkins in Paris

PEUGEOT, the French car group, yesterday provided the latest evidence of continuing sluggish demand in the European car industry by indicating that sales last year were stagnant or slightly down on the FFr159.9bn ($29.61bn) recorded in 1990.

Mr Jacques Calvet, chairman of Peugeot, which also embraces Citroën, said the full-year net profits should be more than double the FFr2.27bn recorded in the first half, which was 54 per cent down on the same period of 1991.

Peugeot officials said they did not want to make a more precise estimate at this stage. However, this implies full-year profits of at least FFr4.54bn net, well down on FFr9.2bn in 1990. This is within most analysts' expectations.

"I believe there is no reason not to be confident that the profit for the year will be more than double that of the first half," said Mr Calvet. Demand continued to flag in the UK and France, while the German market began to decline last year, said a Peugeot official.

DnB to make provision of NKr5.6bn for year

By Karen Fossli in Oslo

DEN NORSKE Bank, Norway's biggest bank, will make provisions for identified and estimated losses on loans and guarantees for 1991 of NKr5.6bn ($89.4m).

DnB also announced yesterday a sweeping reorganisation into two main divisions – corporate and retail banking – in which 480 jobs would be lost and 13 domestic banking outlets closed.

The bank's credit losses jumped by NKr1.8bn in the final three months of 1991 from NKr3.78bn at the nine-month stage, confounding earlier optimism for a fourth-quarter improvement.

DnB said that after the reorganisation 630 full-time positions would be eliminated but that 150 of these would not require job losses. The bank warned that its management has the authority to "implement lay-offs if this proves necessary to reach the required staff level".

Last month, DnB was rescued by a NKr5.9bn state-backed bail-out with a NKr3.25bn cash injection in the form of preferential capital and a NKr1.68bn state guarantee for a planned NKr2.37bn preferential share issue.

Under the agreement, DnB was ordered to report its developments on a regular basis to the state-operated bank insurance fund. But the state also saddled DnB with the acquisition of Realkreditt, Norway's biggest mortgage company, which was facing technical insolvency.

Mr Torstein Joerstad, a bank analyst with Standard & Poor's, the US credit rating agency, said that DnB's credit losses reflect a continuing trend of Norway's ailing banking sector. The bank already has an A-3 investment grade rating, the lowest assigned by S&P.

"We are not likely to review this rating for another 18 months," Mr Joerstad said. "In any case, DnB will have to show sustainable, good profits and the ability to stand on its own without the prop of state subsidies while seeking to reduce non-performing loans.

"It looks like the bank has a long way to go," he added.

Shadow of guilt falls across derivatives

Robert Thomson and Emiko Terazono examine the weakness of the Japanese market

A SEARCH by the Tokyo Stock Exchange (TSE) for the culprits behind the chronic weakness of Japanese share prices has led back to one of the usual suspects, derivatives, and to the foreign brokerages most adept in dealing in derivative markets.

Inspired by share prices at their lowest since October 1990, the TSE has announced that a task force will examine tighter controls over stock index futures and options trading. Exchange officials say new controls are necessary because the futures market is primarily used for speculation and is the source of violent price movements in the cash market.

But the liberalisation of financial markets which brought large-scale stock futures trading from 1988 has also diversified the vested interests within Japan. The TSE said the task force would be established jointly with the Osaka Securities Exchange (OSE), but Osaka authorities said yesterday that they will conduct their own review.

The bulk of Japan's stock futures trading is done on the Osaka exchange, although its index is based on Tokyo cash prices. Having been more successful than Tokyo in derivative trading, officials at the OSE, the second largest exchange, argue that trading there is not to blame for Tokyo's problems.

Friction between the two exchanges is in addition to the conflicting interests of large and small Japanese brokers – the latter are dependent on individual investors for commissions and tend not to play the derivative markets. Then there are the differences between the TSE and the Ministry of Finance, which, in the wake of the securities scandals last year, is under pressure to be seen to be regulating the industry.

And there is the sometimes testy relationship between Japanese brokers and the foreign securities houses. The Big Four Japanese brokers reported profit falls of more than 64 per cent in the first half to end-September, while a few foreign brokers booked large increases in Tokyo profits partly because of their skill in playing the derivative markets.

Trading in the Osaka-based Nikkei 225 futures index rose 2.7 times last year, and accounted for 56.2 per cent of the trading revenue earned by the OSE. At the same time, futures trading in Tokyo on the TSE's own Topix index accounted for only 2.6 per cent of the exchange's trading revenue.

While Tokyo officials have pointed the finger at foreign brokers for having led the "abnormal" surge in derivative trading, larger Japanese brokers are developing their expertise in the area. Mr Atsushi Saito, the executive managing director of Nomura Securities, is critical of "speculation" in the futures markets, but urged authorities to refrain from introducing new restrictions.

"Restrictions will increase the inefficiency of the futures market," he said, adding that 80 per cent of Nomura's futures deals are done on customers' accounts, suggesting that it is not a "speculator" - about 56 per cent of Osaka futures dealing is done on brokers' own accounts. But Mr Saito said that the securities industry's priority must be to restore investor confidence in the cash market.

Minoru Nagaoka: Tokyo Stock Exchange president

Investor confidence is an important issue in the debate over derivatives. The TSE and smaller brokers are determined to lure individual investors back to the cash market, but Mr Minoru Nagaoka, the TSE president, argues that they are intimidated by the sharp price movements generated by arbitrage trading – the profiting from price differences between the cash and futures markets.

But Japanese investors have other, very sound, reasons to be wary of the Tokyo market. A speculative swirl in the cash market took the Nikkei index to 38,915.87 in late 1989, but the index was below 21,000 yesterday, with some signs that the market may get worse as stocks are sold off before the close of the financial year in March.

Individuals were also shaken by the stock market scandals of the past year which showed that Japanese brokerages favoured larger corporate clients by compensating them for trading losses. Meanwhile, Japan's meagre dividend levels are no incentive to buy stocks, and investors have realised that stock prices can no longer defy gravity.

Mr Jason James, a stock strategist at James Capel Pacific, said that the Osaka exchange scored a victory by backing the Nikkei 225 index, which is more vulnerable to price movements than Tokyo's Topix and is thus more attractive to investors. But he said the targeting of arbitrage as the cause of the Tokyo cash market's problems is an attempt to "find a scapegoat".

The TSE's frustration has been heightened by low trading volumes on the cash market, down 22.9 per cent last year, with the daily average at 372.8m shares, below 400m for the first time in seven years. Mr Nagaoka complained that the value of turnover for stock index futures in Tokyo and Osaka last year was more than five times that of the Tokyo cash market's first section.

So far the OSE and TSE have compromised on measures to "reform" the derivative markets. The OSE has argued against dramatic changes, but agreed to the lifting of margin requirements three times last year, increasing the amount of money deposited at the exchange when a trade is made.

An OSE official said the cash market's weakness is not necessarily linked to futures trading: "If we find there is a problem, we will do something, but it will not be easy to change the nature of the index." The OSE says that it will study trading hours, brokers' trading on their own accounts, information disclosure, and the fixing of futures settlement prices.

The TSE said it will consider long and short-term reforms of futures trading, and a US broker suggested that the Tokyo task force could recommend various changes in the calculation of the Nikkei index. He said the enthusiasm for reform will be linked to the market's strength when the review is completed – if the Nikkei index has risen, the pressure for change will have eased.

Tokyo could impose a ceiling on brokers' dealing in futures on their own account – foreign brokers would be disadvantaged if that ceiling were calculated on the basis of the asset value of operations in Japan.

The review panel could also recommend that tighter limits be placed on the price movements of illiquid stocks within the Nikkei 225.

The composition of the Nikkei 225 lends itself to sudden price fluctuations. A surge of trading in thinly-traded stocks moves the price-based Nikkei index more sharply than the capital-weighted Topix index, a difference that has encouraged futures trading on the Osaka market.

Some of the more illiquid stocks have been already removed from the Nikkei 225, but the task force may recommend that a larger number of illiquid stocks are replaced on a regular basis. And the exchanges could again increase the margin deposit requirements in an attempt to curb trading volume.

But another UK broker suggested that if the TSE task force is objective in its assessment of the derivative markets, it will come to the conclusion that to clamp down would be merely to "shoot the messenger".

Restructuring at Coke bottler expected to bring $91m deficit

COCA-COLA Enterprises (CCE), the leading US bottler of Coca-Cola, expects to report a 1991 loss of $91m as a result of a wide-ranging restructuring of its distribution network, writes Alan Friedman.

The loss – which compares with a $93.4m net profit for 1990 – will be struck after $152m in 1991 restructuring charges, which were taken in the fourth quarter.

The restructuring is part of a broader effort by Coca-Cola – which owns 44 per cent of CCE – and its bottling affiliates to consolidate the overblown US bottling system in order to achieve economies of scale.

CCE, chaired by Mr Donald Keough, the president of Coca-Cola, controls about 55 per cent of the US soft drink maker's bottling system.

The restructuring includes a reconfiguration of its sales and distribution centres, changes in its information systems and severance and relocation costs.

CCE was merged with Johnston Coca-Cola Enterprises last year, in a deal which resulted in an after-tax gain of $18m for Coca-Cola on CCE shares.

● Hellenic Bottling Company (HBC), the Cypriot-controlled company which holds the Coca-Cola franchise for Greece and Ireland, has signed a joint venture agreement to produce Coca-Cola in Bulgaria, writes Kerin Hope in Athens.

HBC is taking a 53 per cent stake in the venture with Texim 90, a bottling plant belonging to a union of co-operatives in Plovdiv which already produces Coca-Cola in small quantities.

Similar agreements are being negotiated with four other soft drinks bottlers around Bulgaria.

A company official said HBC would provide an injection of capital and would manage the plants. Its total investment is estimated at $25m over the next three years.

HBC, which was listed on the Athens Stock Exchange last year, is forecasting earnings of Dr10bn ($55m) for 1991, a 30 per cent improvement on the previous year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.01.92 — Pool purchase price £/MWh	Final Prices for Trading on 25.12.91 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.17	17.22	17.22
0100	17.20	20.04	21.96
0130	17.72	23.70	25.74
0200	17.72	23.70	25.72
0230	17.20	19.54	21.41
0300	17.20	18.34	20.17
0330	17.19	18.34	20.18
0400	17.16	17.17	17.17
0430	17.16	17.09	17.09
0500	17.15	17.06	17.06
0530	17.16	17.03	17.03
0600	17.16	17.03	17.03
0630	17.20	17.03	17.03
0700	17.70	17.05	17.05
0730	19.04	17.04	17.04
0800	19.44	17.05	17.05
0830	21.20	17.09	17.09
0900	21.39	19.45	21.39
0930	21.48	19.51	21.44
1000	21.52	19.51	21.44
1030	21.40	19.51	21.44
1100	21.31	19.51	21.44
1130	21.26	19.51	21.44
1200	21.22	20.00	21.95
1230	21.14	20.00	21.94
1300	21.04	20.00	21.93
1330	19.32	20.00	21.93
1400	19.09	19.45	21.36
1430	19.08	19.12	21.02
1500	17.44	18.04	19.80
1530	17.44	17.00	18.81
1600	19.29	17.05	17.05
1630	26.34	17.07	17.07
1700	69.20	18.04	19.89
1730	71.74	17.00	18.80
1800	68.71	18.04	19.89
1830	42.37	17.00	18.80
1900	27.40	17.00	18.80
1930	21.82	17.00	18.80
2000	19.57	17.00	18.80
2030	19.18	17.07	17.07
2100	19.07	17.08	17.08
2130	18.03	17.05	17.05
2200	17.29	17.04	17.04
2230	17.19	17.04	17.04
2300	17.16	17.01	17.01
2330	17.13	17.00	17.00
2400	17.11	17.05	17.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMPANY NOTICES

ART GALLERIES

LEGAL NOTICES

HARTLEY BAIRD PLC

QUALTEX INDUSTRIES LIMITED

Hartley Baird plc
Qualtex Industries Limited
Registered Office: 87 Westow Avenue, Upper Norwood, SE19 3RW
Qualtex Industries Limited
Main Trading Address: Chalex Works, Manor Hall Road, Southwick, Sussex, BN4 4NZ
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at Cork Gully, Ground Floor, Shelley House, 3 Noble Street, London EC2V 7DQ on 7 February 1992 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers, under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act.

Creditors are only entitled to vote if:

a) they have delivered to me at the following address:
Cork Gully, Shelley House, 3 NOble Street, London EC2V 7DQ
no later than noon on 6 February 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and

b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including fax copies) are not acceptable.

C J Hughes
Joint Administrative Receiver
Dated 17 January 1992

Viscount Catering Equipment Group Limited

Registered No: 2479842
Trade classification: 11
Name and address of administrative receiver:
David John Stokes
Cork Gully
1 East Parade
SheffieldS1 2ET
Office holder number: 2682
Date of appointment: 10 January 1992
Name of appointer: Bank of Boston Limited

Moorwood Vulcan Limited

Registered No: 881757
Trading names:
Moorwood Vulcan
Sadia Refrigeration
Oliver Toms
Jackson Catering Equipment
Trade Classification: 11
Name and address of joint administrative receivers:
David John Stokes and Christopher John Barlow
Cork Gully
1 East ParadeSheffield
S1 2ET
Office holder numbers 2682 and 2041
Date of appointment: 13 January 1992
Name of appointer: Royal Bank of Scotland plc

Moorwood Vulcan Limited

Registered No: 881757
Trading name: Moorwood Vulcan
Sadia Refrigeration
Oliver Toms
Jackson Catering Equipment

Trade classification: 11
Name and address of administrative receiver:
David John Stokes
Cork Gully
1 East Parade
Sheffield S1 2ET

Office holder number: 2682
Date of appointment: 10 January 1992
Name of appointer: Bank of Boston Limited

Sadia Refrigeration Limited

Registered No. 970369
Trade classification: 11
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David John Stokes and Christopher John Barlow
Cork Gully
1 East Parade
Sheffield
S1 2ET
Office holder numbers 2682 and 2041
Date of appointment: 13 January 1992
Name of appointer
The Royal Bank of Scotland plc

Viscount Catering Equipment Group Limited

Registered No: 2479842
Trade classification. 11
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Cork Gully
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Sheffield S1 2ET

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COMPANY NOTICES

PERSONAL

MOTORS

INTERNATIONAL COMPANIES AND FINANCE

Wells Fargo hit hard by $700m loan-loss provision

By Alan Friedman in New York

AN EXPECTED $231m fourth-quarter loss and $700m of bad debt provisions in the quarter wiped out almost all of the 1991 profits at Wells Fargo, the big California commercial banking group.

Heavy real estate loan losses and the deteriorating California economy contributed to the slump, which resulted in $21m of net profits for 1991, compared with $712m in 1990.

This translates into 1991 net earnings per share of 4 cents, compared with $13.39 the previous year.

Although the bank announced the gloomy outlook before Christmas, investors on Wall Street yesterday reacted to the news by marking down the Wells Fargo share price by $2¼ to $65¼.

Wells Fargo initially indicated it would be making heavy real estate bad debt provisions following a tough inspection by US bank regulators in December.

Mr Carl Reichardt, chairman of the bank, said yesterday the economic environment "continues to be difficult for banks". He said it was, therefore, appropriate that a significant addition to loan-loss reserves be made.

Wells said its non-interest expenses rose by 18 per cent, to $2.02bn, in 1991, caused in large part by costs associated with higher foreclosed assets.

At year-end, the bank's non-performing and restructured loans amounted to $1.98bn, or 4.5 per cent of total loans. As of last month, the bank's commercial real estate lending amounted to $12.7bn of total bank lending of $46bn.

● Nationbank, the renamed bank resulting from the merger of NCNB of Charlotte, North Carolina, and C&S/Sovran of Atlanta, Georgia, said it suffered a $243.8m fourth-quarter loss, mainly because of costs associated with the merger.

The bank, which now ranks as the fourth largest in the US in terms of assets, said it made a profit of $201.8m for the whole of 1991.

Northern Telecom profits up 14%

By Bernard Simon in Toronto

NORTHERN Telecom of Canada boosted 1991 revenues by 21 per cent and earnings by 14 per cent with the help of last March's acquisition of STC, the UK-based telecommunications group.

Net earnings reached US$514.9m, or $2.03 a share, last year, up from US$460.2m, or $1.80 a share, in 1990. Revenues climbed to $8.2bn from $6.8bn.

Fourth-quarter income was a record $208m, ahead from $187.7m a year earlier. Revenues in the final three months of the year advanced to $2.3bn from $1.9bn, and order inflows were also at an all-time high of $2.31bn, compared with $1.9bn a year earlier.

The group does not break out the precise contribution of STC, whose operations have been totally integrated into the parent company. But STC was the main factor in boosting sales outside North America to just over 20 per cent of total revenues last year, from 13 per cent in 1990. Sales of STC's submarine systems grew especially strongly.

Paul Stern: posted 'impressive' US growth

Dr Paul Stern, Northern Telecom's chairman, maintained that performance would have improved last year even without STC's contribution.

For instance, he said the company posted "impressive" growth in the US, where STC has no presence, thanks to increased market share. He declined, however, to disclose precise figures.

The $2.6bn takeover of STC was the main factor in pushing up interest charges to $221m last year from $80m in 1990. But Dr Stern said the debt to capital ratio had fallen to 33 per cent to 34 per cent, compared with the mid-50s at the time of the STC acquisition. "We're going to continue to drive it down," Dr Stern said.

He predicted a further improvement in performance this year, except for Canada. The optimism is based on continued international expansion, further growth in US market share, and shipments of the new FiberWorld family of transmission and switching products.

Nortel's share price has climbed steeply in the past year. It was trading at a record C$56.13 on the Toronto Stock Exchange at midday yesterday, against its 1991 low of C$30.38.

IBM extends workstation range

By Alan Cane

INTERNATIONAL Business Machines, the world's largest computer manufacturer, raised the temperature in the workstation market sharply yesterday with the launch of a range of powerful systems which sets new standards of price and performance.

The workstations, an extension of the company's RS/6000 family, range in price in the UK from a basic £2,772 to £51,400 ($92,000). Complete with memory and screen, costs range from £4,948 to £214,957.

Performance has been increased and prices kept down through the integration of all the processor functions on a single silicon chip.

The launch marks IBM's move into the low end of the workstation business, dominated by Sun Microsystems of the US. From a standing start, it has already captured 16 per cent of the overall workstation market in two years.

Workstations, powerful personal computers with high-definition screens capable of being linked together in networks, have traditionally been used by scientists and engineers. They are increasingly being used in business for industrial design and the calculation of financial yields.

The workstation market is continuing to grow at 10 per cent or more a year while other areas of the computer industry have slowed to 5 per cent or less.

IBM's lead, however, may be short-lived. Last week, Hewlett Packard launched a $5,000 low-end workstation, while Digital Equipment announced a $4,000 systems last month.

Sun Microsystems, which has about 40 per cent of the whole workstation market, is expected soon to launch a new generation of machines which will, in turn, set new standards.

MetLife to take chunk of Executive Life

INSURANCE regulators in New York State announced yesterday that a sizeable portion of Executive Life of New York's business is to be acquired by Metropolitan Life, the nation's second largest insurance company, writes Nikki Tait.

ELNY, previously part of the First Executive insurance group, was seized by regulators in April after a policyholder run threatened its financial stability.

Under the proposal, which needs court approval, MetLife will take over ELNY annuity and life contracts, together worth around $1.48bn in cash and cash equivalents. In general, policyholders will be given the option of surrendering policies or switching into MetLife contracts.

ELNY will remain in existance, holding the large junk portfolio – with a book value of around $1.9bn – which will be used to service ELNY's remaining longer-term liabilities, such as structured settlement awards, pensions and so on.

Around 18,000 policyholders will remain with ELNY, compared with the total of 108,000 when the insurer was seized.

Gold Fields flat amid softness in markets

By Philip Gawith in Johannesburg

GOLD FIELDS of South Africa (GFSA), one of the country's largest mining houses, recorded roughly unchanged results in the six months to December. The result came against a background of continuing weakness in world commodity markets.

Attributable profits fell to R133m ($47.6m) from R134m in 1990. The 1990 figure, however, was a low base, as it was 30 per cent down on the R190m earned in the equivalent period in 1989.

Revenue was R231m, down from R339m. Of this, R123m came from investments, compared with R136m, and R108m from fees, interest and other sources, against R103m. Expenditure was virtually unchanged at R77m, leaving pre-tax profits of R154m, down from R163m.

Mr Alan Wright, executive director, blamed the drop in investment income on lower commodity prices, particularly for lead and copper, which contributed to a decline in income from GFSA's unlisted investments, Black Mountain and O'Okiep. Income from gold was flat.

Mr Wright said about 65 per cent of GFSA's income came from gold, with 65 per cent of this figure coming from dividend income and the balance from fees obtained for services rendered to the mines in the group. GFSA is the most gold-oriented of South Africa's mining houses.

Driefontein and Kloof, which GFSA manages, are two of the richest mines in the world, with market capitalisations of R8.8bn and R4.3bn respectively.

Mr Wright said GFSA's activities outside of South Africa had "gone a lot faster than we anticipated. We have been well received around the world as joint venture partners".

He said prospects in the second half depended upon how quickly world economic growth picked up, with commodity prices normally following an upturn by six months. Even in the best circumstances, any such upturn would be too late to affect results in this financial year.

The dividend was maintained at 70 cents per share, on earnings of 138 cents per share compared with 140 cents.

Textron wins Cessna auction with $600m bid

By Nikki Tait in New York

TEXTRON, the Rhode Island-based aerospace and financial services group, has won the auction for Cessna Aircraft Company, which manufactures business jets and cargo planes and is currently owned by General Dynamics.

General Dynamics, the second largest US defence group, has been shrinking its operations recently and concentrating on core businesses. It put Cessna up for sale last October, and only last week Dassault Aviation, the French maker of business and military jets, announced that it would be making an offer for the General Dynamics subsidiary.

Textron has agreed to pay $600m in cash for Cessna, which General Dynamics bought for $660m in 1985.

Cessna, which is based in Wichita, Kansas, had sales last year of around $820m. It has produced general aviation aircraft for much of its history but, in the early 1980s, refocused operations on its Citation business jet and Caravan utility turboprop aircraft. The latter is used for both cargo and passenger services, finding customers among the express package delivery companies, such as Federal Express.

Alcan plunges to $41m loss while metal prices weaken

By Robert Gibbens in Montreal

ALCAN ALUMINIUM, under pressure from weak metal prices, posted a net loss of US$41m, or 18 cents a share, after preferred dividends for the final quarter of 1991, against a profit of $184m, or 83 cents, a year earlier.

Sales declined to $1.8bn from $2.24bn in the same period of 1990.

For all 1991, the loss was $56m, or 25 cents a share, against profit of $521m, or $2.33, in 1990. Revenues amounted to $7.7bn, compared with $8.7bn for 1990.

The figures were struck after restructuring charges and other special items in both periods.

Alcan said average prices realised for primary aluminium in 1991 were 25 per cent lower than in 1990.

Total shipments of ingot and fabricated products were lower, while year-end inventory was 463,000 tonnes against 447,000 tonnes.

Mr David Morton, chairman, said that Alcan's results reflected lower prices due primarily to big increases in exports from the former Soviet Union on top of existing over-supply in the West.

"We responded by reducing our annual operating costs by well over the target $200m in 1991, with a further improvement of $275m targeted for 1992."

He said the near-term outlook for aluminium prices is not encouraging, "given continuing over-supply and few signs of an early recovery in demand. We need an appreciable pick-up in demand or a further curtailment of supply".

TransCanada PipeLines rises

TRANSCANADA PipeLines, one of North America's largest natural gas pipeline operators, lifted net income by 17 per cent last year, writes Bernard Simon in Toronto.

The Calgary-based company said it had taken another step towards distancing itself from BCE, the Montreal-based telecommunications conglomerate which is its largest shareholder, by naming its chief executive, Mr Gerald Maier, as chairman to replace BCE's Mr Raymond Cyr.

TCPL's net earnings rose to C$251.2m (US$218.3m), or C$1.34 a share, in 1991, from C$214.9m, or C$1.23, in 1990.

Mobil will respond to $1.3bn back tax demand with lawsuit

By Karen Zagor and Alan Friedman in New York

MOBIL, the second biggest US oil and gas group, yesterday said it would respond with a lawsuit to a $1.3bn US government bill for back taxes.

The Internal Revenue Service (IRS) claims Mobil owes about $300m in taxes on Saudi Arabian oil bought in 1980 and 1981. A further $1bn of interest is also being claimed.

Mr Allen Murray, chairman of Mobil, yesterday disputed the tax bill. It centres on the so-called "Aramco Advantage" issue of whether Mobil should have charged its consuming country affiliates higher oil prices for Saudi crude that was obtained below world market prices. At the time, Mobil was a minority shareholder of Aramco.

Both Exxon and Texaco, two other former Aramco shareholders, are also involved in litigation with the IRS over similar back tax bills.

A decision on these cases is expected from a Washington, DC tax court by mid-year.

● Texaco, the US energy group, yesterday unveiled a decline of almost 20 per cent in underlying 1991 earnings, reflecting lower crude oil and natural gas prices and depressed demand.

Stripping out special items in the fourth quarter, Texaco's profits dropped 37.6 per cent to $295m from $475m the previous year.

Net income in the fourth quarter of 1991 fell 16.5 per cent to $324m, or $1.15 a share, from $388m, or $1.40, a year earlier. Revenues declined by 25 per cent to $9.8bn from $13bn.

For the full year, Texaco had underlying profits of $1.24bn, against $1.54bn in 1990.

Net income in the year eased 11 per cent to $1.29bn, or $4.61, against $1.45bn, or $5.18, a year earlier. Revenues declined 8 per to $38.3bn from $41.8bn in 1990, reflecting sharply lower crude oil and product prices in 1991 which were partly offset by slight gains in crude sales volumes.

Texaco's earnings from exploration and production stood 49.1 per cent lower in the fourth quarter at $175m, compared with $344m the previous year.

The results were in line with expectations, and shares in Texaco added $⅝ to $62⅛ at mid-session yesterday on the New York Stock Exchange.

Dow Chemical put in red by $370m charge

By Karen Zagor

DOW Chemical, the second biggest US chemicals group, says it will take a one-time pre-tax charge of $370m against fourth-quarter earnings.

The charge, which will cover write-downs and write-offs, will push the company into the red for the period.

It will include a previously-announced shutdown of Dow Canada Sarnia's chlor-alkali and derivatives facilities. Dow said the charge also covered lower forecast values for oil and gas in Canada which have decreased the asset value of these properties.

It said the move was consistent with its strategy to diversify into specialities.

Mr Enrique Falla, chief financial officer, said Dow expected fourth-quarter earnings from continuing operations to "exceed 35 cents per share, in line with financial analysts' expectations". Dow is due to post its fourth-quarter results on January 30.

● Concern about possible litigation over silicone gel breast implants made by Dow Corning, a 50-50 joint venture between Dow Chemical and Corning, the glass products manufacturer, prompted Moody's Investors Service to downgrade Dow Corning and Corning senior debt ratings.

Dow Corning's senior debt rating was cut to A2 from Aa2. The company's long-term debt and commercial paper ratings were placed under review for possible downgrade.

Although the implants bring in only 1 per cent of Dow Corning's annual sales, there is increasing concern the company may be flooded with lawsuits amid the growing controversy over the long-term safety of the devices.

While Moody's downgraded Corning's long-term senior debt rating to single-A2 from single-A1, the rating agency left Dow Chemical's rating unchanged.

J&J to fund development of contraceptive vaccine

By Alan Friedman in New York

JOHNSON & Johnson, the New Jersey-based pharmaceuticals group, said it was seeking to develop a new contraceptive vaccine for women that could last for at least two years.

The company has entered a licensing agreement with the University of Virginia's Center for Innovative Technology, which has been working on the vaccine.

Johnson & Johnson, already an important manufacturer of birth control pills, will finance the Virginia centre's testing of the vaccine on baboons. It is hoped that human trial will begin within two years.

The contraceptive vaccine works by stimulating a woman's immune system, causing it to develop antibodies to a protein molecule found in sperm.

The antibodies destroy the sperm's ability to fertilise eggs. The contraceptive, which may be administered by pill or injection, could last for as long as five years, according to the company.

The Johnson & Johnson research project is not the first of its kind; contraceptive vaccines are also being developed at universities in New Delhi and British Columbia. The US National Institutes of Health (NIH) has also patented a vaccine that is being developed.

News of the vaccine project did not excite investors on Wall Street, where Johnson & Johnson's share price rose by ¼ to $105¼.

Burlington in $800m flotation

By Nikki Tait

BURLINGTON Industries, the North Carolina-based textiles group, is to return to the stock market almost five years after being taken private through a leveraged buy-out, via a $800m-plus flotation.

The company plans a public offering of 57m shares, and said it expected these to be priced in the $14 to $16 range. The money raised from the issue would be used to pay down existing debt and recapitalise the company.

Burlington Industries is the latest in a long line of highly-leveraged companies – including the likes of RJR Nabisco and Duracell – to take advantage of record stock market levels to pay down debt via equity issues.

Interest charges on the heavy debts resulting from the Morgan Stanley-led buy-out have compounded operating losses at the textile company for much of the LBO period, although the operational side has improved recently.

In the year to end-September, earnings before interest and tax were $156.8m, but were offset by a $251.7m interest charge.

Kroger issues warning

KROGER, the large US supermarket chain which took on a hefty debt load as part of a defensive restructuring in 1988, warned yesterday that operating cash flow in the final quarter had slipped by between 5 and 7 per cent year-on-year. The full-year figures are due in early February, writes Nikki Tait.

Kroger said that retail inflation had been negative in the final quarter as falling grocery and perishable prices were only partly offset by higher prices for health and beauty care items, pharmaceuticals and tobacco products.

Parretti dismisses 'pyrrhic' victory

Mr GIANCARLO Parretti, the controversial Italian financier trying to regain control of MGM-Pathe Communications, the financially-troubled Hollywood studio, yesterday claimed his opponents had won "only a pyrrhic victory", writes Haig Simonian in Milan.

Crédit Lyonnais Bank Nederland, the Dutch subsidiary of the big French bank which financed his November 1990 takeover of MGM Pathe, last year won control of the company after a lengthy legal battle.

The bank's position was reinforced last month by a Delaware court, which removed Mr Parretti and his family from the company's board and gave the bank the right to vote the 98.5 per cent stake owned by a Parretti-controlled concern.

Making his first public appearance since being released from a Sicilian jail on January 10, Mr Parretti, (pictured right), criticised journalists at a packed Rome press conference for continuing to call him "the ex-owner of MGM. All Credit Lyonnais has done is take away my voting rights, but the shares are still mine", he said.

Sitting between his wife and three children, he said he was now "at war" with the bank. Crédit Lyonnais only had the right to sell 51 per cent of MGM-Pathe, and he would certainly exercise his option to buy the shares. Ironically, losing the court case had given him "more time, and finding the necessary finance was "the least important thing".

Mr Parretti was arrested by Italian police on a string of charges of tax fraud and illegal money transfer as he was boarding a private jet on December 27. He declined to answer questions relating to his arrest and subsequent release, as the affair was still sub-judice.

He claimed his source of finance was still available, while the Japanese Toshiba electronics group had also offered "very much money", he said.

Sansui loss estimate almost doubled

By Steven Butler in Tokyo

SANSUI Electric, the Japanese audio specialist caught up in the collapse of the Polly Peck group, has nearly doubled its estimate of losses for last year. The group has also announced a voluntary redundancy programme aimed at cutting its workforce by one-third, to about 300 *employees.*

Redundancy programmes of any kind are extremely unusual for any established Japanese company, where employment is usually a lifetime obligation on both sides. Iwatsu Electric, a traditional supplier of telephone equipment to Nippon Telephone and Telegraph, also this week said it would cut its workforce of 2,361 employees by 640.

The redundancies at the two electronics companies are symptomatic of broader troubles facing the industry. The last wave of similar redundancies was about five years ago, when the steep appreciation of the yen prompted many manufacturing companies to relocate facilities overseas.

Sansui said it expected little *growth in the mature market* for audio equipment, while price competition would be intense. As a result, it needed to cut fixed costs sharply by reducing the size of the workforce. It would not say what its plans were, should sufficient employees fail to volunteer for the programme by the deadline of February 28.

Sansui last year said it expected to move into the red because of a decision to take provisions on part of the Y67.8bn ($533.85m) in loans to Capetronic, a Taiwanese subsidiary which Sansui acquired when it was purchased by Polly Peck.

However, the company has now increased its estimates of after-tax losses, from Y18.6bn to Y36bn, because of the continuing weak demand for audio equipment and video tape recorders in Europe and the US. Sales are expected to decline to Y20.5bn, amounting to only 57 per cent of losses expected.

Sansui, which is in the process of being sold to Grande Holdings of Hong Kong, expected a modest recovery this year, with sales climbing to Y24,000 and net profits reaching Y500.

Iwatsu said it was forced to reduce its workforce after revised estimates suggested it would incur a Y3bn after-tax loss on sales of Y58.4bn, down from Y63.2bn last year.

The redundancies are part of a broader restructuring programme aimed at integrating or liquidating affiliated companies while concentrating on sales of digital private branch exchanges and measuring instruments for telecommunications. Iwatsu also plans to raise money through the sale of property.

Iwatsu has been struggling to stay in the black following the privatisation of NTT in 1985. NTT's own performance has been under pressure because of increased competition.

Sales at Mitsubishi Motors surge 6.2%

By Steven Butler

MITSUBISHI Motors, the Japanese car-maker, moved sharply ahead in Japan's domestic vehicle market last year, increasing sales by 6.2 per cent in a market that declined by 3.2 per cent. It grabbed market share at the expense of big producers such as Toyota, Nissan, and Mazda.

Mitsubishi is now firmly in third place behind Toyota and Nissan, with 10 per cent of the market, while Honda is trailing in fourth place with 8.8 per cent.

Mitsubishi's success is particularly bad news for Toyota, the largest producer and one which has dominated the luxury end of the market, where profits are highest. Mitsubishi's success is due largely to is popular Diamante luxury model.

Toyota saw its domestic market share fall by nearly 1 percentage point to 31.3 per cent, while sales, measured by registrations, declined by 5.9 per cent.

Nissan held up somewhat better, with sales off by 4.2 per cent, giving it a market share of 17.9 per cent. Mazda saw its sales fall by 7 per cent, in spite of the introduction of a new luxury model, giving it a share of 7.3 per cent.

Toyota's vehicle production last year declined by 3 per cent to 4.08m units, with passenger car production off by 5 per cent to 3.12m. With domestic sales declining, exports posted a 1.6 per cent gain to 1.7m vehicles. Overseas production was off by 1.2 per cent to 669,741 vehicles.

Nissan posted a 3.8 per cent decline in domestic production, at 2.33m units, while overseas production climbed sharply by 13.6 per cent to 751,528 vehicles. Nissan said the increase was due to the expansion of production of its Primera model in the UK, which has proved popular throughout Europe.

Nissan's exports rose by half a per cent to 960,960. Worldwide production for the company rose marginally to 3.08m vehicles.

Proton begins flotation offer with profit warning

By Lim Siong Hoon in Kuala Lumpur

PROTON, Malaysia's only car-maker, yesterday opened its offer for the flotation of 30 per cent of the company with a forecast that pre-tax profits for *the 12 months to March 1993* may drop by 24 per cent to M$308.6m (US$114m) from M$406.6m a year earlier.

The company intends, however, to maintain its dividend of 16.25 cents a share, although earnings are expected to drop from 81 cents a share in March 1992 to 62 cents the following year.

The flotation offer at M$5 a share is intended to raise M$750m from 120m existing and 30m new shares. It values the company at M$2.5bn.

The offer, the first this year under Malaysia's privatisation programme, marks a partial retreat by Japan's Mitsubishi from the company. Mitsubishi, *which has a 30 per cent share*holding in Proton, has provided it with technology.

Holdings by Mitsubishi and Kuala Pura, its Malaysian associate, will fall to 20 per cent on completion of the capital restructuring and listing.

The Malaysian government, principally through Heavy Industries Corporation, will retain 50 per cent equity control.

Only 20 per cent of the offer proceeds will be accrued to the company, while the M$600m balance will be returned to government agencies, Mitsubishi and Kuala Pura.

Proton has forecast that pre-tax profit to March 1992 will be *55 per cent up on the previous* year's M$262m.

The group, helped by the growth of disposable personal incomes and tariff concessions, has helped Proton gain 62 per cent of last year's 130,000 car market.

● Sime Darby, Malaysia's largest conglomerate, plans to buy the Caterpillar heavy machinery dealership businesses in Australia and the Pacific region from Hastings Deering of Australia, AP-DJ reports from Sydney.

Hastings Deering said in a letter to the Australian Stock Exchange that Sime Darby had completed a due-diligence review of the businesses and the companies had entered into a non-binding sales agreement.

The agreement provides for the assets to be sold at Hastings Deering's book value plus a premium of A$35m (US$25.7m), the statement said. *It did not disclose the book* value.

The companies expect to enter a binding agreement within four weeks, with settlement on April 30.

The sale is subject to approval from Hastings Deering shareholders.

Ailing Tokyo contractor in talks with home-builder

By Robert Thomson in Tokyo

A LEADING Japanese home builder, Misawa Homes, is negotiating with an ailing contractor, *Ishihara Construction*, over a rehabilitation plan. The scheme is likely to include the taking of a 20 per cent stake in Ishihara which has been weakened by links to failed property developers.

The negotiations reflect the reluctance of Japanese banks to allow leading clients to fail. Ishihara is listed on the second section of the Tokyo exchange, and its bankers, including Mitsubishi Trust and Mitsubishi Bank, had apparently been seeking a partner to assist in its restructuring.

Misawa Homes has remained strong in spite of the downturn in Japan's property market over the past year. Mr Fumichika Ishihara, the president of Ishihara Construction, said the Misawa group was the most likely of four candidates that have sought a capital tie-up with his company, which has debts estimated at Y110bn ($863m).

Ishihara Construction was closely linked to Kyowa Corporation, a bankrupt steel frame builder and property developer which was at the centre of a political scandal last week for its large donations to the ruling Liberal Democratic Party.

Mr Fumio Abe, a former Japanese cabinet minister, was arrested for allegedly taking bribes from Kyowa, which had collapsed owing more than Y200bn in late 1990.

Ishihara had guaranteed Y21bn of Kyowa's outstanding debt and has been obliged to put up three Japanese properties and another in Malaysia as collateral for the debt. The contractor had also guaranteed loans totalling Y4.6bn for Ohira Sangyo, another failed property developer.

Tokyo-based Ishihara incurred increased debt through its dealings in property development just before the Japanese property market weakened two years ago.

It plans to allot new shares to its creditors, who, aware that Ishihara is backed by its banks, are likely to agree to postpone repayment deadlines.

Total and JCI offshoots open R480m colliery

By Philip Gawith

ARTHUR TAYLOR Colliery, a *R480m ($172.7m) joint venture* between subsidiaries of Johannesburg Consolidated Investments (JCI) and Total, was yesterday opened at Witbank, about 130km east of Johannesburg.

The mine represents a significant further investment in the country by the French Total oil group, already the fourth largest foreign investor in the country with an annual turnover of about R3bn. Total's stake was wholly funded by its local coal subsidiary, Tesa, while JCI is involved through wholly-owned subsidiary Tavistock Collieries.

Although there is an embargo preventing France from buying South African coal, the opening was attended by representatives of Electricité de France (EDF), the French electricity utility, Atic, the state coal importer, and Lafarge, the cement producer. They indicated privately they would lobby the French government to lift the embargo.

The open-cast mine will produce 2.4m saleable tonnes of export coal at full capacity. It will be exported through the Richards Bay export terminal on the east coast.

Sasol plans R1bn rights offering

By Philip Gawith in Johannesburg

SASOL, the large South African synthetic fuel and chemicals producer, has announced it will be raising about R1bn ($360m) through a rights issue.

Mr Paul Kruger, managing director, said the funds would be used to "meet cash-flow requirements in an environment of lucrative expansion possibilities within the self-imposed borrowing constraint".

Sasol has decided that the ratio of interest bearing debt to equity – 45 per cent at the end of the last financial year – should not be allowed to exceed 50 per cent. The funds *will be raised through the* issue of unsecured automatically convertible subordinated debentures.

Mr Kruger said the money raised would not be used to fund the R3bn expansion programme announced last year. He said these projects would be financed from cash-flow generated by the group.

Securities house posts record earnings

By Patrick Harverson in New York

PAINEWEBBER, the US securities house, joined the Wall Street profits bandwagon yesterday when it reported record fourth-quarter net earnings of $46.9m.

The result was a big improvement on the $92.3m loss incurred at the same stage a year ago, when the firm took a big restructuring charge.

In common with other US brokers, PaineWebber has benefited from falling domestic interest rates, buoyant stock and bond markets and heavy demand for equities from individual and institutional investors.

The strong final quarter took 1991 after-tax earnings to $150.7m, the highest in PaineWebber's history and well above the $88.1m after-charge operating profit earned in 1990.

Earnings rose sharply across all leading business divisions in the last quarter. Revenues from commissions were up 27 per cent at $190m, from principal transactions up 65 per cent at $171.9m, from investment banking up 88 per cent at $98.2m – due partly to a big rise in new securities issues – and from asset management up 28 per cent to $58.5m.

PaineWebber's strategy of concentrating on building up its fee-based revenues as a protection against the volatility of earnings from market-related businesses continued to pay off.

During 1991 the firm attracted $1bn of new assets every month from individual investors, and by the end of the year a total of $93bn in customer assets was under PaineWebber's control.

Cost-containment measures contributed to improved profit margins, and the move of the firm's back office operations and its financial management division from Manhattan to New Jersey, which was completed last year, helped to reduce fixed overheads.

Overall, in the last quarter operating expenses of $513.1m were up on a year ago because of a sharp rise in performance-related compensation payouts.

Move to clarify Japanese exchange law

By Emiko Terazono

AN ADVISORY committee to Japan's Ministry of Finance announced in an interim report this week that the law which prohibits stock price manipulation should not be revised, but, instead, standards for its application should be clarified.

Criticism that the present Article 125 of the Securities and Exchange Law was not sufficient to prove stock manipulation prompted a review by the committee last year, after the Ministry of Finance failed to prove allegations that Nomura Securities manipulated shares in Tokyu in late 1989.

However, the report reflects the authorities' reluctance to implement significant legal changes. "The ministry feels that it has gone far enough by implementing internal changes in the industry," said one foreign analyst, referring to the strengthening of trading restrictions by the Japan Securities Dealers Association.

The committee said that criteria, such as whether brokers or investors repeatedly bought shares soon after a price rise, or if they filed transactions just before the stock market closed, should be set for the application of Article 125.

UK bank takes stake in Turkish brokerage

KLEINWORT Benson, the British merchant bank has bought a 7 per cent stake in Turkey's Global Menkul Degerler brokerage for $523,000, Reuter reports from Istanbul.

The sale was part of a 43 per cent private placement of Global shares to increase its capital by TL10bn to TL15bn.

Others buyers were Pictet & Cie, a leading private Swiss bank, GT Hong Kong, with a total of US$12bn in assets management, investment firm Emerging Markets Washington and Global employees. Global's 1991 trading volume exceeded TL1,800bn.

Correction

Greenwich Assoc

YESTERDAY'S report, "European programme trading up sharply" was based on research carried out by Greenwich Associates in February and March last year, and the findings related to 1990 rather than 1991.

Overnight gains in foreign markets lift Treasuries

By Patrick Harverson in New York and Sara Webb in London

GAINS in foreign markets overnight and sporadic short-covering helped to lift US bond prices across the board in light trading yesterday morning.

By midday, the benchmark 30-year government bond was up ¼ at 105, yielding 7.556 per cent. The two-year note was also firmer at midsession, up 1/32 at 100¾ to yield 4.913 per cent.

Despite the short-covering, which was said to be heavily concentrated among Japanese players, the market lacked a firm direction yesterday. The strength of prices at the intermediate and long end of the market was primarily a correction from last week, when selling of longer-dated maturities was heavy amid deflated hopes of further interest rate cuts.

The thinness of the market exaggerated the impact of the morning's trading and the absence of retail buying suggested that underlying sentiment had not shifted significantly.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.8424	+0.085	9.77	9.74	9.52
BELGIUM		9.000	08/01	102.3000	+0.200	8.44	8.51	8.83
CANADA *		8.500	04/02	102.8000	+0.050	8.09	8.09	8.33
DENMARK		9.000	11/00	108.3500	+0.380	8.27	8.38	8.76
FRANCE	BTAN	8.500	11/96	99.4422	+0.227	8.62	8.75	9.16
	OAT	9.500	01/01	106.9800	+0.250	8.36	8.45	8.69
GERMANY		8.25	09/01	102.6200	+0.410	7.84	7.92	8.11
ITALY		12.000	08/01	98.6800	+0.260	12.23	12.32	12.58
JAPAN	No 119	4.800	06/99	96.1101	+0.001	5.54	5.58	5.96
	No 129	6.400	03/00	106.3897	+0.150	5.28	5.34	5.61
NETHERLANDS		8.500	03/01	100.9900	+0.240	8.34	8.39	8.66
SPAIN		11.900	07/95	101.5500	+0.100	11.07	11.10	11.39
UK GILTS		10.000	11/96	101-14	-1/32	9.61	9.78	9.86
		10.000	02/01	103-01	-6/32	9.50	9.64	9.65
		9.000	10/08	98-03	-16/32	9.22	9.31	9.40
US TREASURY *		7.500	11/01	103-10	+10/32	7.02	6.98	6.99
		8.000	11/21	105-02	+16/32	7.57	7.52	7.80

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ LONG-dated UK government bond prices dropped on funding worries and shortening trades yesterday.

Activity in the gilt market picked up after the Bank of England announced details of its forthcoming auction yesterday afternoon.

The Bank said it would auction £1.8bn of the 9¾ per cent gilt due 2002 on January 29, bringing the total size of the issue up to £4.8bn. After the announcement, traders reported some shortening trades into the 10-year sector.

The auction issue will be partly-paid, with 25 per cent payable on tender, 40 per cent on February 24, and the rest on March 26. The 9¾ per cent gilt due 2002, which will become the new 10-year benchmark stock, was widely tipped as the auction issue. The 10-year gilt is expected to appeal to international investors, traders said.

However, the market fell on concern about further funding requirements in the 1991-1992 tax year. UBS Phillips & Drew is forecasting a further £2bn in gilt issuance in the 1991-92 tax year on top of the £1.8bn auction.

In the futures market, the Liffe gilt contract opened at 97.30 and fell to 97.09 by late afternoon on average volumes. The 11¾ per cent gilt due 2003/07 fell from 116 1/32 to 115 13/32 while the 9¾ per cent gilt due 2002 fell from 102 1/32 to 101 13/32. Sterling strength helped to limit the fall among short-dated stocks.

■ SHORT and medium-dated Japanese government bonds ended stronger yesterday on hopes that the Bank of Japan would lower interest rates in order to support the Tokyo stock market.

The benchmark No 129 bond reached a two-year high when the yield fell to 5.26 per cent in Tokyo trading. The yield on the No 129 opened at 5.295 per cent in Tokyo and moved to 5.26 per cent before closing at 5.28 per cent.

The yen strengthened against the dollar from Y123.85 to Y122.95, attracting buying interest in the bond market, although traders reported some profit-taking later on. Traders attributed the dollar's weakening to rumours of central bank intervention. Both the US Federal Reserve and the Bank of Japan intervened on Friday to strengthen the yen.

■ THE European government bond markets rallied yesterday helped by strong demand for short-dated securities from Far Eastern, US and European buyers.

Traders reported particularly strong demand from central banks for short-dated Dutch and German government paper, which resulted in a flattening of the respective yield curves.

In the Netherlands, investors poured Fl 7bn into the two new Dutch state tap issues, bringing total sales of the 10-year and 15-year issues to Fl 8.8bn so far this week. The financing agency boosted the selling prices on the 8.25 per cent tap bonds due 2002 and 2007 in stages during the day following unexpectedly high demand for the issues.

Traders said investors were attracted by the spreads of about 50 basis points over the 10-year German government bonds.

In Germany, the Liffe bund futures contract opened at 88.46 and climbed to a high of 88.69 before slipping to 88.61 by late afternoon.

Despite worries about the current wage negotiations, investors are expecting the Bundesbank to come under considerable pressure to lower German interest rates at the Group of Seven meeting this weekend.

Elsewhere in Europe, Spanish government bond prices picked up on hopes that the strength of the peseta might prompt a cut in Spanish interest rates.

The Italian bond market, which opened the day on a strong note, closed higher on the day, helped by gains in the other European markets.

The key March 2001 BTP ended at 101.22, compared with 100.93/94 the previous day.

In the futures market, the Liffe contract closed about 20 basis points higher at 98.71.

Yesterday's L8,500bn repo tender, at which the average rate fell to 11.74 per cent, pushed short-term interbank rates down, boosting sentiment in the market.

See Lex

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on January 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¾	107¼	+⅛	6.13
ALBERTA PROVINCE 9 3/8 95	600	109¾	110	+⅛	6.40
AUSTRIA 8 1/2 00	400	106¼	106¾	+⅛	7.42
BANK OF TOKYO 8 3/8 96	100	104⅞	105¼		6.98
BELGIUM 9 5/8 98	250	111¼	111⅝	+⅛	7.36
BFCE 7 3/4 97	150	103⅜	103⅞	+⅛	6.94
BNP 8 5/8 94	300	106¼	106¾	+⅛	5.77
BRITISH GAS 8 3/8 99	350	105⅜	105¾	+⅛	7.42
CANADA 9 96	1000	109¼	109⅝	+⅛	6.36
CARCO 9 1/4 96	650	101⅞	102⅛	-2⅛	8.71
CCCE 9 1/4 95	300	108⅞	109⅛	+⅛	6.03
COUNCIL EUROPE 8 96	100	104⅞	105⅛	+⅛	6.70
CREDIT FONCIER 9 1/2 99	300	110⅝	111	-⅛	7.51
DENMARK 8 1/4 94	150	105⅝	106¼	+⅛	5.76
DENMARK 9 1/4 95	1571	109	109⅜	+⅛	6.03
ECSC 8 1/4 96	193	106¼	106⅝	+⅛	6.72
EEC 8 1/4 96	100	105⅞	106¼	-⅛	6.72
EIB 7 3/4 96	250	104¼	104⅝	+⅛	6.60
EIB 9 1/4 97	1000	110⅛	110⅝	+⅛	6.98
ELEC DE FRANCE 9 98	200	108⅜	108⅞	+⅛	7.25
EURO CRED CARD TST 9 94	325	104⅜	104⅞	+⅛	7.16
EUROFIMA 9 1/4 96	100	108⅝	109¼	-⅛	6.85
EXPORT DEV CORP 9 1/2 98	150	110⅝	111⅛	+⅛	7.36
FINLAND 7 7/8 97	200	103⅜	104	+⅛	7.08
FINNISH EXPORT 9 3/8 95	200	109⅝	110⅛	+⅛	6.37
FORD CAPITAL 9 3/4 97	250	105⅜	105⅞	-⅛	8.41
GEN ELEC CAPITAL 9 3/8 96	300	108¼	108⅝	+⅛	7.03
GMAC 9 1/8 96	200	104⅜	104⅞	+⅛	7.84
GUINNESS FINANCE 8 94	200	104¼	104⅝		6.02
IBM INTL FIN 7 3/4 94	200	104	104⅜	-⅛	5.78
IND BK JAPAN FIN 7 7/8 97	200	102⅛	102⅝	-⅛	7.30
INTER AMER DEV 7 5/8 96	200	103⅞	104⅜	+⅛	6.61
ITALY 8 1/2 94	1500	106¼	107		5.77
JAPAN DEV BK 8 94	150	104⅞	105¼		5.69
KANSAI ELEC PWR 10 96	350	106⅞	107¼	-3⅛	7.99
LTCB FIN 8 97	200	101¼	101¾	-⅛	7.69
NEW ZEALAND 9 94	850	106⅞	107¼		6.05
NIPPON CRED BK 10 3/8 95	150	110⅝	111⅛	+⅛	6.84
NIPPON TEL & TEL 9 3/8 95	200	108⅞	109¼	+⅛	6.19
ONTARIO 8 1/2 01	600	104⅛	104⅝	+⅛	7.79
ONTARIO HYDRO 11 5/8 94	200	111	111½	+⅛	5.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.78
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.01
ABN AMRO HOLDING 9 1/4 01 Fl	750	104½	104⅞		8.51
UNILEVER 9 00 Fl	500	104⅞	105¼		8.18
ALBERTA PROVINCE 10 5/8 96 C$	500	107	107¼	+⅛	8.51
BELL CANADA 10 5/8 99 C$	150	107⅞	108¼	+⅛	9.13
BRITISH COLUMBIA 10 96 C$	500	105	105¼		8.55
EIB 10 1/8 98 C$	130	105⅞	106⅜	-⅛	8.83
ELEC DE FRANCE 9 3/4 99 C$	275	105¼	105⅝	+⅛	8.76
FORD CREDIT CANADA 10 94 C$	100	101⅞	102⅛	-⅛	9.10
GEN ELEC CAPITAL 10 96 C$	300	104½	105	-⅛	8.69
KFW INT FIN 10 01 C$	400	106⅛	106⅝		8.98
NIPPON TEL & TEL 10 1/4 94 C$	200	107¼	107⅝	+⅛	8.90
ONTARIO HYDRO 10 7/8 99 C$	500	109	109⅜	+⅛	9.10
OSTER KONTROLLBANK 10 1/4 99 C$	150	107⅜	107⅞	+⅛	8.85
QUEBEC PROV 10 1/2 98 C$	200	106⅜	107¼		9.12
BELGIUM 9 1/8 96 Ecu	1250	101⅞	102	+⅛	8.56
CREDIT LYONNAIS 9 96 Ecu	125	97	98⅛	-1⅛	9.86
DENMARK 7 3/8 96 Ecu	250	93	94	-⅛	9.69
EEC 7 5/8 94 Ecu	200	97⅞	98⅜	+⅛	8.76
EIB 10 97 Ecu	1125	106⅛	106⅝	+⅛	8.40
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅛	107	+⅛	8.63
ITALY 10 3/4 00 Ecu	1000	112⅝	112⅞	+⅛	8.54
UNITED KINGDOM 9 1/8 01 Ecu	2750	105¼	105⅝	+⅛	8.30
BP AMERICA 12 1/4 96 A$	100	108⅝	109⅛	+⅛	9.60
COMM BK AUSTRALIA 13 3/4 99 A$	100	117¼	117⅝		10.36
EKSPORTFINANS 12 3/8 95 A$	75	111⅛	111⅞		8.32
EUROFIMA 14 5/8 94 A$	75	111½	112	-⅛	8.82
MCDONALDS CANADA 15 95 A$	100	114⅝	115⅛	-⅛	9.69
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅝	111¼	-⅛	8.88
STATE BK NSW 14 1/4 99 A$	100	117⅝	118	+⅛	10.74
UNILEVER AUSTRALIA 12 98 A$	150	109⅛	109⅞		9.89
VOLKSWAGEN INTL 15 94 A$	100	111⅛	111⅝		9.24
ABBEY NATL TREAS 13 3/8 95 £	100	107⅜	107⅞		10.45
ALLIANCE & LEICS 11 3/8 97 £	100	102	102⅜		10.83
BRITISH GAS 12 3/4 95 £	300	106¼	106⅝	+⅛	10.25
BRITISH LAND 12 1/2 16 £	150	105½	106	-⅛	12.15
DEUTSCHE BK FIN 11 94 £	225	101⅛	101⅜		10.13
EIB 10 97 £	536.5	100⅛	100⅝		9.90
FINLAND 10 1/8 97 £	100	100⅛	100⅞		10.01
ITALY 10 1/2 14 £	400	101½	101⅞	-⅛	10.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ([illegible]) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Jersey company must pay liquidator

RE SHOE LACE LTD
Chancery Division:
Mr Justice Hoffmann:
December 20 1992

A DEBENTURE creating an all-monies floating charge, executed by a company two months before presentation of an insolvency petition in consideration of advances already made to it by its parent in anticipation of the debenture, is invalid in that the charge was not created before or "at the same time as" the payments were made, having regard to the ordinary meaning of those words in a commercial and regulatory context.

Mr Justice Hoffmann so held when granting an application under RSC Order 29 rule 10 by Mr Dermot Justin Power, liquidator of Shoe Lace Ltd, for an interim payment in respect of his claim for return of company funds paid to the first respondent, Sharp Investments Ltd, a company allegedly controlled by the second respondent, Mr Chandru Mahtani.

Section 245 of the Insolvency Act 1986 provides: "(2) . . . a floating charge on the company's undertaking or property created at the relevant time is invalid except to the extent of . . . (a) the value . . . of the consideration for the creation of the charge . . . paid . . . to the company at the same time as, or after the creation of the charge . . .

(3) . . . the time . . . is a relevant time . . . if the charge is created – (a) . . . in favour of a person who is connected with the company . . . within . . . two years ending with the onset of insolvency . . ."

HIS LORDSHIP said Sharp was a Jersey company which held 80 per cent of Shoe Lace's issued share capital. Mr Mahtani was a business man who lived in Ratigen in Germany. He was alleged to control Sharp through a Jersey trust, and to have acted as a shadow director of Shoe Lace.

Shoe Lace operated a number of shops in Lancashire and Yorkshire which sold cheap footwear.

The original directors were Mr Sam Nolan, a Jersey accountant who was also a director of Sharp, and Mr Barry Fox who was alloted 20 per cent of the share capital.

A copy of an accountant's report commissioned by Mr Nolan in August 1990 showed that Shoe Lace was hopelessly insolvent in April 1990 and that its position became steadily worse.

Minutes of directors' meetings showed that in February 1990 Shoe Lace had exhausted its banking facilities and decided to apply to its parent company, Sharp, for support.

On March 20 the directors resolved to grant Sharp a debenture to secure past and future advances, in consideration of further short-term finance.

According to the evidence of Sharp's solicitor, it advanced £300,000 to Shoe Lace on April 3, £50,000 in May, £75,000 in June, and a final payment of £11,500 on July 16.

The debenture was not executed until July 24.

It created a charge to secure the payment of "all monies . . . hereby covenanted to be paid". The document contained no covenant to pay anything, but the registered particulars described it as an all-monies charge and the court would assume that it could be rectified to correspond with that description.

There was a fixed charge over immoveable assets and goodwill, and a floating charge over the whole of the assets and undertaking.

A petition for compulsory winding-up was presented on September 4 and served at the trading address the same day. It was served at the registered office on September 11.

On September 13 Shoe Lace entered into a sale of business agreement by which it sold all its assets to a company called Shoe Hut Ltd, another Channel Island company, for £211,000.

By direction of Shoe Lace, £180,710 of the purchase price was paid by Shoe Hut direct to Sharp as debenture-holder. The rest was retained against the outcome of a claim of retained title to stock made by a supplier.

Shoe Lace was compulsorily wound up on November 20. The £180,710 was frozen in Sharp's bank account by court order on February 15 1991.

The liquidator said Sharp was not entitled to that money. He said that Sharp, Shoe Lace and Shoe Hut were all controlled by Mr Mahtani.

There was a high probability that Shoe Hut was a phoenix company, but the present court did not need to decide the question, because the principal ground on which the liquidator founded his application was that the floating charge created by the debenture was invalidated by section 245 of the Insolvency Act 1986.

Section 245 provided that a floating charge created within two years before the onset of insolvency in favour of a person connected with the company, was invalid, except to the extent of consideration paid for creation of the charge "at the same time as, or after, the creation of the charge".

By subsection (5) the onset of insolvency was the date of presentation of the petition.

The floating charge was created within two months before the onset of insolvency. Also, Sharp controlled Shoe Lace and so was a connected person.

The charge was therefore void except to the extent that Sharp paid money to Shoe Lace "at the same time as, or after, the creation of the charge".

There was no authority on the meaning of "at the same time as" in section 245.

The degree of contemporaneity which such words connoted must depend on the context.

It might not be unreasonable to say that two species of dinosaur became extinct "at the same time" when millions of years separated their last known representatives. On the other hand, one would not say the winner of a race crossed the tape at the same time as the runner-up, though separated by less than a tenth of second.

In section 245 the context was commercial and regulatory.

For example, it formed part of a scheme which included the requirement that particulars of a floating charge must be delivered to the Registrar of Companies within 21 days of its creation.

The question was whether a businessman having knowledge of the kind of time limits imposed by the Insolvency and Companies Acts, and using ordinary language, would say that the payments had been made at the same time as execution of the debenture.

No businessman would use such language of the payments made in the present case.

He would say that the parties had agreed in March that a debenture should be granted, that a number of payments were made in consideration of that promise, but that they did not get around to executing the debenture until afterwards.

The respondents' solicitor said it was not executed because Mr Nolan was dilatory. He thought that as Shoe Lace had agreed to grant the debenture there was no urgency about execution.

The court was referred to authorities on earlier sections invalidating floating charges, which resembled section 245. None was binding because the language of the current section was different.

No principle was derived from them for present purposes except that stated by the Court of Appeal in *Columbian Fireproofing [1910] 1 Ch 758*, that contemporaneity was a question of fact. In section 245 the words "at the same time as" only emphasised that contemporaneity was an objective matter.

If that was wrong and it was necessary to look at the reasons for the delay, it seemed that Sharp, through Mr Nolan, acquiesced in the delay of Shoe Lace, through Mr Nolan, in executing the debenture.

To obtain an interim payment under RSC Order 29 rule 10, the liquidator must show a case of such strength as would justify judgment under RSC Order 14.

That was subject to Order 14A, which enabled the court to decide a question of law if it appeared suitable for determination without full trial and if such determination would finally dispose of an issue in the cause.

Construction of section 245 could be decided without full trial of the liquidator's summons, and the determination would finally dispose of the question of validity of the floating charge, because it meant that even on the respondents' own evidence, the charge must be invalid.

Of the £180,710 paid under the sale agreement, £41,000 was allocated to immoveable property and £5,000 to goodwill. Both were subject to fixed charges which, although possibly voidable on other grounds, did not fall within section 245.

That meant that for the purposes of an interim payment, it would be just to order that £134,710 be paid out of the frozen funds to the liquidator.

For the liquidator: Daniel Serota QC and Paul Lowenstein (Fruhman, Davies & Co).

For the respondents: John Briggs (McKenna & Co).

Rachel Davies
Barrister

INTERNATIONAL CAPITAL MARKETS

New guidelines aim to enhance use of derivatives

By Tracy Corrigan

RECOMMENDATIONS for the reporting of financial futures and options in investment portfolios, published yesterday, will provide UK pension fund managers with professionally-agreed standards of performance measurement of derivatives for the first time.

The standards, designed to suit the needs of pension fund trustees, should encourage greater use of derivative products by UK pension fund managers. Since the tax treatment of derivatives was clarified in the 1990 finance act, the main barrier to the use of derivatives by pension funds has been a negative perception of these instruments as speculative, particularly by trustees.

The new guidelines will allow trustees to assess more easily whether fund managers are using futures and options for investment or hedging purposes, or whether they are taking more speculative positions.

"I am confident that these recommendations will greatly enhance institutional investors' use of derivatives, particularly equity products such as the FT-SE 100 index futures and options," said Mr Michael Jenkins, chief executive of the London International Financial Futures Exchange.

Based on a consultative document issued by Liffe and the London Traded Options Market in May 1990, the recommendations were reached after consultation with trustees, investment managers and performance measurers, and are endorsed by the National Association of Pension Funds (NAPF).

The recommendations will be followed by the UK's two largest independent performance measurement organisations, Combined Actuarial Performance Services (CAPS) and the World Markets Company (WM).

"[These recommendations] will lead to a better understanding of the uses of these instruments, higher standards of reporting and more consistent performance calculations," said Mr Tim Gardener, head of planning services at Mercer Fraser, the actuarial consultancy firm commissioned to write the report.

In the past, pension funds have tended to report futures and options as a separate asset class. While this system is relevant for certain types of funds, such as futures funds, the overall picture can easily be distorted since derivatives are frequently used as part of a broader investment strategy. In addition, such an approach ignores the gearing inherent in derivative instruments.

Michael Jenkins: enhance the use of derivatives

Futures are typically used by fund managers to increase or decrease exposure to underlying assets.

● Increasing exposure. If a fund manager buys futures on the FT-SE 100 stock index and holds a cash deposit, he is creating a synthetic equity asset. It is usually cheaper and quicker to gain exposure to the market by this method than by buying a portfolio of stocks in the cash market.

● Decreasing exposure. If a fund manager buys equities in the cash market and sells the future, he is hedging against a fall in the stock market, (since the futures position will gain if the market falls). Thus, under the recommendations, positions in the futures market – and relevant cash deposits held against futures positions – are incorporated into, in this case, equity assets.

Options, on the other hand, are generally used to modify exposure. The effect of options on portfolio performance is asymmetrical – for example, a fund manager can by a put option on a stock to protect against potential losses in the stock, without losing any potential gains.

The report recommends reporting options at their market value, under the relevant asset class. Given the complexity of option products, a written explanation of strategies (for example that puts have been purchased as insurance against downward risk) is recommended.

In addition, when there is a substantial position in options, there needs to be an analysis of exposure to market movements. Because of the asymmetrical movement of options, the price does not indicate how the option would react to changes in the underlying market. Consequently, the recommendations suggest showing how the portfolio would react to, for example, a 50 per cent rise or fall in the market.

The method is suitable for pension fund reporting, because trustees are generally not interested in short-term fluctuations in the fund's value, but in the general thrust of the investment strategy.

Other investment institutions may need a different approach, including Delta analysis – a mathematical calculation of the sensitivity of positions to market movements.

The pressure to conform to the recommendations is likely to be quite strong, even though there are no formal rules. "We will ask [the pension funds] to provide data to us so we can report in line with the recommendations," said Mr Alan Wilcock of CAPS.

The recommendations encompass derivative products sold by banks, known as over-the-counter products, such as swaps and OTC options, and exchange-traded contracts. While they help clarify the reporting of derivative products, the fund management industry has some way to go in setting other important performance measurement goals.

The next issue which the industry is preparing to address is risk-adjusted performance measurement, since there is as yet no standardised way of assessing the returns offered by funds in conjunction with the level of exposure. Although other issues, such as credit, will need to be assessed in that debate, the ground rules on futures and options will be a useful step forward in that process.

Raised voices on the Frankfurt exchange

David Waller on plans to run the open-outcry system and electronic trading in tandem

THE Frankfurt Stock Exchange, the largest in Germany, has decided it will not immediately abolish floor trading in Germany's most liquid stocks when it moves to a computerised trading – at an as yet indefinite date in the mid-1990s. Instead, the existing open-outcry system will be able to continue in tandem with the new electronic system.

This decision, taken at a meeting of the board of the exchange earlier this week, goes against one of the main recommendations of an unpublished report into electronic trading, prepared for the exchange by the McKinsey consulting firm. Despite the decision not to follow McKinsey's advice on this point, the implications for the German securities market, and those who prosper under present arrangements, are profound.

At present, approximately 80 per cent of domestic business in the shares in the Dax 30 index is handled by *Freie Makler* – official brokers who derive commission, or *courtage* – from matching bargains on the open outcry *Amtliche Handel* – official market – which is open from 10.30am to 1.30pm on weekdays. Commission currently stands at 0.06 per cent of transaction value.

The remaining 20 per cent of DAX 30 business is handled on Ibis, an electronic system which started in December 1989 as an information exchange, but in April last year was upgraded to handle trading in DAX 30 shares and some leading bond issues.

While Ibis has increasingly gained acceptance among financial institutions executing business in Germany, it is seen by the Frankfurt exchange as limited in terms of the restricted number of securities which can be traded, and its user base. Hence the determination to entertain a move to a fully electronic market.

McKinsey will present an updated draft of its report to the exchange in March. The following month, the exchange will take a final decision on how to proceed.

According to the draft report, the new system will be organised on the auction principle – with buy and sell orders collected together and prices fixed at intervals. This is in contrast to the London Stock Exchange's price-driven system Seaq (Stock Exchange Automated Quotation). The plan is to start with the top 30 shares and the top 30 bond issues at some stage in the next two years, before moving on to handle all 650 stocks and 15,000 bond issues.

Prices for the most highly-traded shares will be set as often as every minute; for the two less liquid tiers, prices will be fixed once or twice a day.

The traders have won a victory of sorts in that their role is not going to be abolished overnight, as McKinsey proposed. However, they will have to prove themselves highly adaptable when competing with the electronic system – *or they will disappear altogether*

Models for the technology include the Deutsche Terminbörse – Germany's electronic futures and options market which opened in January 1990 – and the systems used by the Stockholm and Vancouver exchanges.

The Frankfurt exchange claims the three main benefits of a move to full electronic trading are lower transaction costs, greater transparency of the market and greater liquidity. These aims accord well with the statements of principle advanced last week by Mr Theo Waigel, Germany's finance minister, and Chancellor Kohl when he visited Frankfurt on Monday. The politicians are keen to strengthen *Finanzplatz Deutschland* – Germany as a financial centre – and full electronic trading is deemed by Frankfurt to be a step in this direction.

The Maklers – who number around 400, including those who make prices on the secondary *Geregelter Markt* for less liquid stocks – protested loudly last week when the first hints of the McKinsey proposals appeared in the local press.

They have won a victory of sorts in that their role is not going to abolished overnight, as McKinsey proposed. But in the long term they will have to prove themselves highly adaptable when competing with the electronic system – or they will disappear altogether.

Asfinag issue considered tightly priced

By Richard Waters

AFTER the deluge of new dollar bonds in recent weeks, the Eurobond market yesterday was ill-prepared for more. The result was a poor showing for a $200m 10-year issue for Asfinag, the Austrian road financing agency, brought by Merrill Lynch.

INTERNATIONAL BONDS

At a yield of 30 basis points over the 10-year US Treasury bond, the pricing was widely considered too tight for the market conditions. A further 3 to 5 basis points on the spread was generally considered necessary to shift the paper. But that did not stop a range of leading underwriters from joining the deal. The deal was priced with an eye on the 30 basis point spread in current trading of last week's well-received 12-year deal for the Republic of Austria, which had been scaled up from $300m to $400m.

The shorter maturity of the Asfinag issue, together with the backing of a Republic of Austria guarantee, help explain yesterday's pricing. But the market had no appetite for any more dollar paper.

By contrast, the Kingdom of Norway's appearance with a Y100bn five-year issue left investors asking for more. The prospect of a large, liquid issue from a highly-regarded name found demand particularly in Europe and the Far East.

The 5.48 per cent yield – 18 basis points over the World Bank's five-year issue – was seen as fair, and in later trading the bonds were being bid at their reoffered price of 99.55.

Commerzbank brought an aggressively-priced DM500m 10-year issue for the Kingdom of Belgium. The issue, with a coupon of 7¾ per cent was said to be slow getting underway. Demand is expected from retail investors on the continent.

British Land, the UK property developer, launched an offer through Warburg Soditic to buy back SFr25m of its outstanding SFr75m 6½ per cent bonds due 1994 at 87.5 per cent.

● Crédit Foncier de France may issue French franc bonds in the Euromarket this week, finance director Mr Olivier Hassler said, Reuter reports. The mortgage lender had meant to issue domestic bonds with a special tranche set aside for foreign investors. But, under French rules, such a tranche must be fungible with an outstanding bond – and a legal snag has put all fungible issues on ice.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Asfinag(a)†	200	7⅜	99.38	2002	32.5/20bp	Merrill Lynch
Okura & Co.(a)ǂ	100	3½	100	1996	2¼/1½	Daiwa Europe
C.Itoh Fuel Co.(a)ǂ	100	3½	100	1996	2¼/1½	Nikko Europe
Dowa Mining Co.(a)ǂ	80	3½	100	1996	2¼/1½	Nikko Europe
Samsung Electronics(a)★★†	30	7⅜	101.70	1997	1⅞/1¼	Bayerische Landesbank
YEN						
Kingdom of Norway(a)†	100bn	5⅜	99.55	1997	25/15bp	IBJ Int.
D-MARKS						
Kingdom of Belgium(a)†	500	7¾	101¼	2002	2½/1½	Commerzbank
Bayerische LB Int.(Lux.)(a)†	500	8½	100	1997	-	Bayerische Landesbank
Fiat Finance & Trade(b)†	100	8¾	103	1997	2/1¼	Deutsche Bank
SWISS FRANCS						
Goldwin Inc.(c)★★ǂ	100	4¼	100	1996	-	Yamaichi Bk (Switz)
Catena Corp(d)★★§	80	4⅝	100	1996	-	Nomura Bk (Switz)

★★Private placement. §Convertible. ǂWith equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing DM200m deal. Non-callable. c) Callable 6/2/94 at 101% declining ¼% semi-annually. d) Put option 30/9/94 at 110⅝% to yield 8.268%. Coupon payable semi-annually.

ANC criticises SA Ecu250m Eurobond

THE African National Congress (ANC) has attacked European banks for arranging a significant new loan to South Africa, repeating warnings that a future government could review inherited debt dues, Reuter reports.

It called the five-year Ecu250m Eurobond unveiled on Monday a gross violation of anti-apartheid sanctions.

"The ANC must once again remind foreign banks and investors of the continuing validity of the economic, and in particular financial, sanctions, against South Africa," it said.

"We are bound to declare, once again, that a democratic government will carefully assess its obligations to service and take responsibility for debts contracted by the South African government and its various agencies prior to the formation of an interim government and the formal request for the lifting of economic sanctions by such a government."

The latest loan was lead managed by France's Banque Paribas and co-managed by Swiss Bank Corporation.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday January 21 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jan 20 Index No.	Fri Jan 17 Index No.	Thu Jan 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	786.56	......	8.66	6.11	14.76	0.19	787.02	785.41	772.78	685.76
2	Building Materials (23)	958.63	+0.1	7.26	6.50	18.65	0.00	957.37	951.29	922.03	939.87
3	Contracting, Construction (29)	870.62	-0.3	9.17	8.52	15.72	0.00	872.91	870.20	851.96	1052.05
4	Electricals (7)	2507.57	+0.1	9.90	5.98	12.70	0.00	2504.26	2509.93	2468.12	1837.98
5	Electronics (26)	1737.93	+0.8	10.62	4.94	11.93	0.41	1723.91	1712.84	1703.08	1499.96
6	Engineering-Aerospace (8)	333.51	-1.3	16.19	7.79	7.52	0.00	338.07	342.18	340.97	383.64
7	Engineering-General (43)	486.58	+0.3	9.84	5.09	12.53	0.84	485.04	484.35	479.23	342.10
8	Metals and Metal Forming (10)	329.13	-0.3	2.12	10.55	–	0.00	330.00	330.17	326.31	383.25
9	Motors (13)	298.37	-0.3	8.56	7.99	15.53	0.00	299.33	304.34	297.05	272.93
10	Other Industrial Materials (19)	1620.91	-0.4	7.43	5.06	16.02	0.00	1626.83	1619.70	1595.48	1182.67
21	CONSUMER GROUP (188)	1633.01	+0.1	7.14	3.38	17.24	1.53	1631.62	1623.35	1628.82	1203.12
22	Brewers and Distillers (23)	2059.84	+0.2	8.08	3.44	15.01	7.92	2056.02	2054.28	2047.78	1559.23
25	Food Manufacturing (18)	1233.04	-0.1	8.75	4.12	14.13	1.03	1233.96	1231.71	1240.85	1024.35
26	Food Retailing (17)	2453.96	+0.5	9.01	3.38	14.42	0.39	2442.04	2448.08	2431.03	2339.29
27	Health and Household (24)	4445.69	-0.2	5.11	2.20	22.43	0.35	4454.65	4355.38	4464.76	2497.96
29	Hotels and Leisure (24)	1267.51	+0.1	7.87	5.30	15.70	0.00	1265.92	1256.66	1235.68	1096.35
30	Media (23)	1455.50	+0.7	6.65	3.69	18.85	0.91	1445.40	1447.57	1453.71	1174.16
31	Packaging, Paper & Printing (17)	752.11	+0.4	7.04	4.41	17.21	0.00	749.31	751.94	766.19	495.40
34	Stores (32)	1006.44	......	7.29	3.69	18.16	0.23	1005.89	1017.40	997.50	785.04
35	Textiles (10)	615.23	-0.6	7.48	5.03	17.06	0.00	618.67	623.12	603.38	400.82
40	OTHER GROUPS (115)●	1201.08	-0.4	10.09	5.54	12.49	5.01	1206.22	1213.43	1214.73	976.01
41	Business Services (16)	1423.72	+0.6	7.05	4.61	18.04	0.00	1415.20	1409.51	1451.74	953.55
42	Chemicals (21)	1465.59	+0.3	6.89	4.99	17.94	0.19	1461.13	1462.03	1446.31	1037.84
43	Conglomerates (11)	1343.07	-0.9	11.21	7.72	10.83	0.10	1354.86	1360.35	1346.03	1232.80
44	Transport (14)	2437.63	+0.4	5.26	4.64	25.02	0.00	2428.40	2448.16	2435.07	1753.40
45	Electricity (16)●	1156.99	-0.6	15.67	6.43	8.30	11.22	1163.81	1166.26	1161.29	1025.88
46	Telephone Networks (4)	1356.11	-1.2	11.57	4.62	11.28	15.96	1372.38	1378.43	1390.80	1108.10
47	Water (10)	2242.78	+0.3	19.03	7.09	5.79	0.00	2235.78	2254.95	2246.60	2211.84
48	Miscellaneous (23)	1805.76	-0.6	5.51	5.42	24.97	0.00	1817.32	1857.05	1877.08	1512.16
49	INDUSTRIAL GROUP (481)●	1282.67	-0.1	8.32	4.53	15.04	2.32	1283.93	1282.49	1281.47	1005.84
51	Oil & Gas (19)	2203.23	+0.2	11.61	6.36	11.39	0.00	2198.50	2170.19	2196.69	2122.05
59	500 SHARE INDEX (500)●	1364.67	-0.1	8.69	4.74	14.51	2.19	1365.53	1362.18	1363.08	1098.69
61	FINANCIAL GROUP (87)	737.45	+0.1	–	6.31	–	0.00	736.85	736.96	726.27	687.55
62	Banks (9)	889.13	+0.4	4.32	5.97	47.07	0.00	885.18	888.40	877.24	739.09
65	Insurance (Life) (6)	1440.63	-1.9	–	5.93	–	0.00	1467.86	1465.94	1446.31	1225.85
66	Insurance (Composite) (7)	521.31	+0.5	–	8.36	–	0.00	518.48	514.62	508.16	593.32
67	Insurance (Brokers) (10)	1021.46	+0.4	7.57	6.54	17.38	0.00	1016.91	1018.04	1008.20	942.39
68	Merchant Banks (7)	461.98	+0.3	–	4.64	–	0.00	460.63	460.47	454.24	334.47
69	Property (34)	798.64	-0.1	6.87	5.78	20.73	0.00	799.69	798.64	777.55	931.67
70	Other Financial (14)	240.95	+0.6	11.07	7.42	11.39	0.00	239.50	239.19	236.65	237.84
71	Investment Trusts (68)	1194.08	+0.2	–	3.65	–	0.38	1192.01	1196.50	1193.81	954.22
99	ALL-SHARE INDEX (655)●	1215.00	......	–	4.90	–	1.67	1215.47	1213.08	1211.56	996.81

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 20	Jan 17	Jan 16	Jan 15	Jan 14	Year ago
FT-SE 100 SHARE INDEX‡	2543.4	-1.5	2561.6	2540.0	2544.9	2536.7	2541.6	2537.1	2516.3	2081.6

FIXED INTEREST

	PRICE INDICES	Tue Jan 21	Day's change %	Mon Jan 20	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	121.67	+0.06	121.60	1.55	0.93
2	5-15 years (27)	136.86	-0.01	136.87	2.34	0.82
3	Over 15 years (8)	147.49	-0.06	147.58	2.21	0.00
4	Irredeemables (6)	162.86	+0.18	162.57	2.04	0.00
5	All stocks (67)	134.52	+0.01	134.51	2.07	0.79
	Index-Linked					
6	Up to 5 years (2)	168.49	-0.03	168.55	1.13	0.00
7	Over 5 years (9)	149.00	-0.09	149.13	0.37	0.63
8	All stocks (11)	150.55	-0.08	150.68	0.47	0.54
9	Debs & Loans (62)	117.64	+0.08	117.55	2.78	0.09

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 21	Mon Jan 20	Year ago (approx.)
	British Government				
1	Low	5 years	8.78	8.79	9.86
2	Coupons	15 years	9.18	9.18	9.86
3	(0%-7¾%)	20 years	9.18	9.18	9.86
4	Medium	5 years	9.56	9.58	10.66
5	Coupons	15 years	9.27	9.26	10.16
6	(8%-10¾%)	20 years	9.21	9.20	10.07
7	High	5 years	9.80	9.81	10.80
8	Coupons	15 years	9.34	9.34	10.31
9	(11%-)	20 years	9.26	9.26	10.19
10	Irredeemables	†	9.39	9.40	10.09
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.91	3.90	3.69
12	Inflation rate 5%	Over 5 yrs.	4.29	4.28	4.15
13	Inflation rate 10%	Up to 5 yrs.	3.23	3.21	2.27
14	Inflation rate 10%	Over 5 yrs.	4.10	4.09	3.96
15	Debs &	5 years	11.00	11.03	12.44
16	Loans	15 years	10.78	10.78	12.19
17		25 years	10.59	10.60	11.93

‡Opening index 2549.0; 9 am 2553.9; 10 am 2557.3; 11 am 2546.8; Noon 2541.2; 1 pm 2542.7; 2 pm 2543.7; 2.30 pm 2543.3; 3 pm 2543.2; 4.10 pm 2543.8; (a) 8.39am (b) 11.25am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. ●CORRECTION: Some indices were quoted incorrectly in yesterday's edition. The corrected figures are: Other Groups 1206.22; Electricity 1163.81; Industrial Group 1283.93; 500 Share Index 1365.53; All-Share Index 1215.47.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	30	18
Other Fixed Interest	8	2	8
Commercial, Industrial	249	276	962
Financial & Property	143	100	551
Oil & Gas	24	17	50
Plantations	0	0	9
Mines	37	29	86
Others	20	69	45
Totals	513	523	1,729

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	71	49	BTR Warrants 1995/96	66	-3	–	–	–	–
–	F.P.	–	120	105	Baillie Gifford Jap Wrnts	113		–	–	–	–
–	F.P.	–	425	405	Bristol Water Non-Vtg £1	425		–	–	–	–
*335	110	–	126½	108¾	British Telecom New	109½	-2½	13.3	2.6	5.3	9.8
140	F.P.	–	157	140	Burn Stewart Dist	150		R5.0	2.3	4.4	11.6
–	F.P.	–	2½	2	Butte Mining Wrnts.	2		–	–	–	–
†	F.P.	–	75	63	Capital Industries 1p	63		–	–	–	–
–	F.P.	–	310	218	Eurotunnel '91 Wrnts.	275	-5	–	–	–	–
–	F.P.	–	33	23	Fleming Japanese Wrnts.	25		–	–	–	–
ǂ	F.P.	–	25	24½	Hong Kong Zero Dv Pf	25		–	–	–	–
£10⅝	F.P.	–	£10⅝	£10⅝	Latin Am Inc & Appr. 1c	£10⅝		–	–	–	–
–	F.P.	–	4	3	Lowe (R) Wrnts	3		–	–	–	–
–	F.P.	–	6	3	Multitrust Warrants	6		–	–	–	–
–	F.P.	–	103	102	Riv & Mrc Tst Inc12 1/2p	102		N9.2	–	12.0	–
–	F.P.	–	117½	117	Do. Stepd Prf 12 1/2p	117		–	–	–	–
60	F.P.	–	59	53	‡Seafield Resources	54		–	–	–	–
50	F.P.	–	33	33	ǂSimpsons of Cornhill 5p	33		–	–	–	10.2
100	F.P.	–	106	103	St. Davids Zero Div Pf	105½	+½	–	–	–	–
–	F.P.	–	5	3½	Wills Group Wrnts.	5		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107⅞	98½	Cambourne Inds. 10½pc Bd. Deb. 2001	105⅞	
100p	F.P.	-	106p	100p	Fidelity Euro. Values Equity Ln 2001	106p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Un Ln Stk 1995	105	+5
310p	150p	-	275p	187p	Inchcape Non-Int. Bearing Cv Un Ln	275p	+19
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	103¾p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
43	Nil	6/2	10pm	7½pm	Airbreak Leisure 5p	7½pm	-1½
43	Nil	17/2	5pm	2pm	Anglo Irish Bank	3pm	
220	Nil	26/2	27pm	13pm	Beales Hunter 20p	18pm	
235	Nil	27/1	31pm	11pm	Hartstone	21pm	-2
415	Nil	28/2	127pm	100pm	Northern Foods	117pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ǂ Unlisted securities market. ǂ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

● First Dealings Jan. 20
● Last Dealings Jan. 31
● Last Declarations Apr. 23
● For settlement May 5

3-month call rate indications are shown on this page.

Calls in ASDA, Amstrad, Cannon Street Invs., Conroy Petrlm., Dowty, Midland & Scottish Res. and Prospect Inds. Put and call in Medeva.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*652)	650	6	42½	52½	4	27	39½
	700	1	22½	32½	48	56½	68½
ASDA (*36)	34	2½	6¼	-	½	3¼	-
	40	-	-	6	-	-	9½
Brit. Airways (*244)	240	4½	20	24½	2	11	16½
	260	-	10	15	-	21½	27½
SmKl Beecham A (*897)	850	47½	78	100	½	17	27½
	900	4½	47½	71½	8½	36½	47½
Boots (*443)	420	22	38½	44	½	7	13
	460	½	14½	23½	18	24	32
B.P. (*293)	280	13½	21½	26½	½	7¼	11
	300	1	11	16	7	17½	21½
British Steel (*76)	70	5¼	9	10½	¼	2¼	4¼
	80	½	4¼	6	5	8	9
Bass (*1095)	1050	42½	79½	98½	¼	14½	27½
	1100	-	47½	70½	-	33	45½
C & Wire (*589)	550	39	60½	72½	½	9½	18
	600	1	30½	40½	10½	29½	37½
Courtaulds (*517)	500	16	40	49	½	13½	21
	550	½	16½	26	34	38	44
Com. Union (*483)	460	22½	32	40½	½	15½	20
	500	½	10	22	17½	38	40½
Fisons (*357)	330	27	37	48	½	9½	12½
	360	1¼	20	31	5½	22	25
GKN (*318)	300	17½	24	29	½	13½	16½
	330	½	8	16½	12½	34	36
Grand Met. (*933)	900	33	68½	93½	¼	18	27½
	950	-	39½	64½	-	40½	49½
I.C.I. (*1254)	1250	9	48½	83½	4½	58½	69½
	1300	¼	27½	60½	46½	93½	98½
Kingfisher (*495)	460	36½	49½	57½	½	8½	15½
	500	3½	27½	34	7½	22	31½
Ladbroke (*222)	220	-	15½	21	-	14	17½
	230	1¼	11½	-	9½	20	-
Land Secur (*473)	460	12½	32	38½	½	9	17½
	500	¼	12½	27½	27½	29½	37½
M & S (*296)	280	15½	25½	30½	½	6	10
	300	2	15	20½	5½	15	18
Sainsbury (*368)	360	-	24½	28½	-	9	13½
	386	½	-	-	18	-	-
Shell Trans. (*498)	460	37½	43½	53½	½	7½	11½
	500	2	15½	28½	4	24½	26
Storehouse (*105)	100	6	12½	15	1¼	4¼	6½
	110	1	7	9½	4½	8½	10½
Trafalgar (*135)	130	5	16	18½	2½	9	15½
	140	1¼	12	14½	8	15½	21
Utd. Biscuits (*412)	390	22	35	40½	½	9	12½
	420	1½	15	24	6½	21½	25½
Unilever (*901)	900	7½	40½	58½	3½	28½	37
	950	-	18½	36½	-	58½	62½
Ultramar (*295)	280	15	23½	-	1¼	13½	-
	300	1½	15½	21	9½	23½	-

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*286)	280	16½	19	27	8	26	28½
	300	6	12¼	19	18½	40½	42
BAA (*567)	550	26	46	55½	7	16½	20½
	600	5¼	20	30	36	37½	45½
BAT Inds (*638)	600	45½	56½	62½	4	15½	23½
	650	12	28½	36½	20½	35½	45½
BTR (*427)	420	16½	25	33½	6½	18	21
	460	1¼	9½	-	33	42½	-
Brit. Telecom (*316)	300	20	32	38	2¼	6¼	11
	330	3¼	14	20	15½	20	24½
Cadbury Sch (*442)	420	32	40	54½	5	16½	20½
	460	10½	22	34½	24½	40	39½
Eastern Elec (*221)	220	-	-	20½	-	-	15½
	230	4	12½	-	11½	14	-
Guinness (*536)	525	21	35	-	7	19	-
	550	8	22½	34½	20	32½	35½
GEC (*201)	200	6¼	14	16¼	4½	7¼	11
	220	1	5¼	-	19	19	-
Hanson (*212)	200	13½	22	24½	1½	4¼	6¼
	220	3	10¼	12¼	10¼	13½	15½
LASMO (*255)	240	20	26	33½	4	13½	17½
	260	7½	17½	25	11½	24	27½
Lucas Inds (*115)	110	10½	12½	15½	2½	6	8
	120	3	7¼	11	6	11	12½
P. & O. (*452)	420	37½	47½	51½	2½	17½	22
	460	11½	23	32	17½	36½	42½
Pilkington (*144)	140	9½	17½	18½	4½	9	14½
	160	2¼	8	-	17½	21	-
Prudential (*234)	220	17½	21½	26½	1¼	8	10
	240	6	10½	16½	9	17½	20
Racal (*50)	51	1½	-	-	2½	-	-
	60	¼	-	-	10	-	-
R.T.Z. (*538)	500	43½	53½	65½	3	13	18
	550	12	24½	37½	19½	36½	39½
Scot. & New (*435)	420	23	38	47½	4	11	17½
	460	4	18½	26	25½	30	37½
Tesco (*227)	220	13½	18	22½	3½	7½	11½
	240	3	8½	13½	14½	19½	22
Thames Water (*343)	330	16½	31½	32½	3¼	7½	14½
	350	5	-	-	11	-	-
Vodafone (*356)	330	30	43½	48½	2	7½	11½
	360	9	25½	31½	12	19	23½

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*294)	280	18½	25	29	7½	11½	13½
	300	7½	14½	18½	18	21	23½
Amstrad (*29)	25	5¼	7½	8¼	2¼	3¼	4
	30	2¼	5¼	6¼	4¼	6	7
Barclays (*393)	390	16	24½	32½	17½	24	31
	420	5½	11	18½	39½	44	49½
Blue Circle (*258)	240	25	29	34	4¼	12	14½
	260	12½	17½	24	11½	21	24
British Gas (*246)	240	11	16	22	6½	12½	15½
	260	3¼	8	12¼	20	25	26½
Dixons (*232)	220	19½	20½	31½	6½	10	13½
	240	8½	19	20½	14½	18	22½
Eurotunnel (*455)	420	56½	76½	90	10	20	26½
	460	28	53½	63	30	35½	41½
Glaxo (*861)	850	50½	85½	108	33½	48½	63½
	900	28½	61½	85	61½	75½	86½
Hawker Sidd. (*798)	750	45	53	-	6½	11½	-
	800	11½	21½	-	-	-	-
Hillsdown (*160)	160	8½	12½	15	8	12½	14½
	177	3	-	-	19½	-	-
Lonrho (*165)	160	14½	21½	25	20	22	27½
	180	8	15½	18½	34	36½	41½
Midland Bk (*233)	220	22	32½	38½	8	15	17½
	240	10½	22	26	17½	22	27½
National Power (*137)	130	9	14½	16½	3¼	5	8½
	140	3¼	9½	11½	9¼	10	13½
Reuters (*1049)	1000	77½	110	133	22¼	39½	49½
	1050	46½	81½	105	44	58½	70½
R. Royce (*140)	140	6½	9¼	13	9	12	13
	160	¾	3¼	-	25½	26½	-
Scottish Power (*98)	90	10½	14	16	1¼	3¼	6
	100	3¼	8	8	5¼	8	11½
Sears (*98)	90	10½	13½	15½	1½	4½	5½
	100	5¼	7½	8¼	5¼	9	10½
Forte (*225)	220	21½	26½	29	2½	7½	9
	240	8	14½	18¼	10	16½	18½
Thorn EMI (*818)	800	39	65	72	12½	21½	32½
	850	15½	38	-	37½	44½	-
TSB (*133)	130	5¼	11½	13	7	9½	11
	140	3	6¼	-	13½	14½	-
Vaal Reefs (*72)	70	5	8	10½	3½	7½	9½
	80	2¼	-	-	11	-	-
Wellcome (*1054)	1050	58½	101	128	41½	61½	68½
	1100	35½	77½	103	68½	85½	91½

EURO FT-SE INDEX (*2540)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jan	227	173	126	79½	42½	14½	5	2
Feb	243	198	153	114	79½	51½	31½	16½
Mar	263	-	181	-	110	-	58½	-
Jun	314	-	239	-	172	-	126	-
Sep	352	-	275	-	215	-	158	-
Dec	380	-	310	-	250	-	190	-
PUTS								
Jan	2½	3	4½	8½	19½	42½	81½	126
Feb	7	12	17½	27½	42	62½	92½	127
Mar	17	-	31½	-	59½	-	104	-
Jun	41	-	60	-	89½	-	129	-
Sep	55	-	67½	-	97½	-	140	-
Dec	47½	-	65	-	85	-	110	-

FT-SE EUROTRACK 100 INDEX (*1132)

	1025	1050	1075	1100	1125	1150	1175	1200
CALLS								
Mar	-	105	82	60	41	24	12	4½
Jun	153	131	109	89	-	-	-	-
PUTS								
Mar	-	2¼	4	7½	11½	21	32	50
Jun	4½	6½	10	12½	-	-	-	-

FT-SE INDEX (*2540)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Jan	249	200	152	105	63	29	10	3½
Feb	267	222	178	136	97½	65	41	24
Mar	288	244	203	163	126	93½	69½	48
Apr	306	264	224	186	151	120	93	73½
Jun	335	-	256	-	183	-	127	-
Dec †	400	-	330	-	265	-	210	-
PUTS								
Jan	1	1½	3½	6½	13½	31½	64½	110
Feb	8	10½	16	23½	38½	54	82½	119
Mar	15½	20½	28½	38½	53	73	99½	131
Apr	24½	32½	41½	55	69½	88½	113	143
Jun	37½	-	58½	-	88½	-	130	-
Dec †	65	-	90	-	117	-	160	-

January 21 Total Contracts 21,569
Calls 15,324 Puts 6,245
FT-SE Index Calls 3,069 Puts 2,518
Euro FT-SE Calls 80 Puts 534
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**OILS**	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¾
Amstrad	4½	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	6	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	60	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	¼
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	28	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tusker Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**MINES**	
Bowater	55	Glaxo	70	Racal Elect	4½	**PROPERTY**		RTZ	38
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	5	GRE	11	Rank Org	48	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

Institutions face £200m losses on MCC shares

By Bronwen Maddox

SOME OF the UK's leading pension funds and insurance groups together face losses of up to £200m on their investments in Maxwell Communication Corporation.

They may now take legal advice about whether they could recover some losses on the grounds that there was a false market in the shares.

Despite growing worries about MCC's financial state, 20 per cent of the company was still in the hands of two dozen blue chip institutions and about 2,000 individuals when the Maxwell empire collapsed.

The other 80 per cent is now controlled by banks who took the shares as security for loans to Mr Maxwell's private companies.

Mr Maxwell had secretly breached the Stock Exchange's 75 per cent ceiling on ownership of quoted companies, and the Serious Fraud Office is investigating whether he illegally bought MCC shares to support the share price.

The suspension price of 35p values MCC at £226m, but the shares are almost certainly worthless.

Most institutions would have invested between 150p and 200p per share – the range in recent years – and face big losses.

Several have said they may follow some of the banks in taking legal advice on whether they can recover some of the value of the shares.

Legal & General, the insurance giant which holds 2.5m of the shares, said "We are watching with interest to see if investigators establish that there was a false market in the shares."

L&G would not disclose its losses, but they are believed to be over £3m. The company said the MCC shares were held in the £2bn pooled index fund, for which the loss was not significant.

Other MCC shareholders are the pension funds of the Post Office, National Westminster Bank, Barclays Bank, IBM UK, British Airways, British Aerospace, Scottish Power, Rover Group and Rolls Royce staff.

Institutions contacted all held the MCC shares in index funds, which track the performance of indices such as the FT-A All-Share Index.

Several fund managers commented that "regrettably" the strict specifications of these funds did not allow them to exclude index stocks from portfolios even when they were concerned about the company.

First sales expected next month

By Andrew Jack

THE FIRST sales of subsidiaries in Maxwell Communication Corporation could come as soon as the beginning of next month, the administrators said yesterday.

Advertisements appeared yesterday for Maxwell Business Communications Group (MBC) and Macdonald, two publishing companies, and negotiations with potential buyers for several other companies are also well advanced.

Mr Jonathan Phillips, a partner in Price Waterhouse and one of the joint administrators of MCC, said the priority was to sell the publishing companies first, since secure ownership was needed to continue to produce titles.

The administrators hope to have all offers in by the end of January for MBC, the three divisions of which may be sold separately. More than 70 potential buyers have already expressed interest.

Discussions are progressing towards the sale of a number of companies including QED Technology, a systems integrator and software supplier for the publishing industry which announced plans for a management buy out last week and Panini, the Italian-based sticker printer.

Other companies involved are Nimbus, a compact disk manufacturer based in Wales in which MCC held a 76 per cent stake, ICDD, a printing company based in France and Maxwell Consumer Publishing and Communications, a contract publishing house.

Birse dives 62% as recession bites

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Birse Group fell by 62 per cent, from £4.7m to £1.8m for the six months to end-October, as the recession finally caught up with the UK construction group.

Bilfinger and Berger, the German contractor, owns 15 per cent of Birse. It acquired the shares at 120p in autumn 1989 when the British group was floated.

Yesterday, Birse shares closed 3p up at 88p – 31 per cent less than Bilfinger paid two years ago. The German group was currently tendering in joint venture with Birse for at least three large UK tunnelling contracts. These include an £80m section of the proposed Jubilee underground line extension in London.

The UK construction market has fallen sharply since Bilfinger acquired its stake. Mr Peter Birse, chairman, said yesterday that contracting margins made by the British group had fallen to half their normal level. It had however, decided to hold its interim dividend at 1.65p, only just covered by earnings of 1.8p (4.7p) per share.

The first-half figures have been adjusted to take account of the decision to write off interest charges on development loans rather than capitalise interest as previously.

The effect has been to reduce reduce shareholders' funds at the end of April last year from £50m to £45m.

Mr Birse said that trading conditions had continued to deteriorate. Increased competition for construction contracts meant that profits had fallen sharply, despite a 16 per cent rise in turnover to £189.3m.

The commercial property and housing businesses remained deeply depressed and were expected to incur a further loss this year.

Demands on cash balances to fund working capital and dividend payments had meant that gearing had increased from 8 per cent at the end of April to 48 per cent. This was despite a decline in borrowings from £42m to £38m.

● **COMMENT**

The rapid deterioration in the trading performance has severely dented Birse's reputation. Last April the group's share price reached a peak of 186p since when its has been downhill virtually all the way. The fall in contracting margins has occurred more rapidly than expected given that profits are being taken on work won which is likely to have been won at least 12 to 18 months earlier, when construction was still a relatively strong market. The rise in the group's gearing, which was not anticipated when preliminary results were announced last July, has not helped the share price. Pre-tax profits for the year may be less than £5m compared with a restated £9.99m last time. The fall in the share price may have gone too far but there is unlikely to be a substantial recovery while recent disappointments are fresh in the memory and while UK construction remains deeply depressed.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Birse	int	1.65	Apr 3	1.65	-	5.5
Cantors	int	1	Apr 10	1	-	4
Central Motor	fin	3	Apr 2	2.5	4	3.5
Daejan	int	12	Mar 1	8	-	24
Jurys Hotel	int	2♣	Feb 22	2	-	5
Matthew Clark	int	6.5	Apr 6	5.75	-	14
OLIM Conv Tst	fin	4.5	Feb 29	4.4	8.5	8.15
Reject Shop	int	1.05	Feb 28	1.05	-	3.15
Sherriff Hldgs §	fin	0.75	Mar 18	3.2	1.5	5.1
Wood (John D)	int	nil	-	1.5	-	1.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish pence.

Trafalgar House wins ruling on oil rig

By Roland Rudd

TRAFALGAR HOUSE, the construction and shipping conglomerate, yesterday won a key ruling in its battle with Midland and Scottish Resources over payment for the Ocean Emerald oil rig.

A ruling by the High Court stipulated that Trafalgar can keep control of the rig until it is able to draw upon the £118m letter of credit with the project's bankers or unless it is paid in full by MSR.

Former shareholders in Davy Corporation, which Trafalgar took over last June, will get their second payment, totalling £54m, from Trafalgar once the conglomerate can draw on the letter.

But Trafalgar warned that the second payment of 45p a share could still be a long way off since it might not be able to draw on the letter of credit because of MSR's refinancing of the contract.

Mr Allan Gormly, a director of Trafalgar, said: "The High Court ruling is an important clarification. We have our hands on the asset but we are no nearer being able to draw on the letter of credit."

Last autumn MSR told Trafalgar that it had drawn up a plan to refinance the Emerald rig project, with Den norske Bank, the Norwegian bank, largely replacing several British clearing banks as the project's banker.

Under the plan MSR offered Den norske Bank the rig as security. This jeopardised MSR's prospects of obtaining a so-called section 10, ship mortgage guarantee, from the Department of Trade and Industry. Only once the project was backed by this section 10 guarantee would Trafalgar be in a position to draw upon the letter of credit.

MSR argued that under a clause in the rig contract which relates to the letter of credit, Trafalgar would only be paid once the rig was fully in production.

Mr Jon Hawksley, MSR's managing director, said the company was still considering whether to appeal against the judgment.

However, he added that he was confident that the dispute would now be settled between the two parties. "We feel it is now in the best interests of all parties to get on with the project."

Trafalgar's shares rose 1p to close at 135p, while MSR's fell by 12p to close at 38p.

42.4% take-up for Spurs rights

By Roland Rudd

The £7m rights issue by Tottenham Hotspur, owner of the north London football club, was taken up by about 2,000 shareholder fans at 125p – a premium of 30p over yesterday's market price.

Holders representing 42.4 per cent exercised their rights, representing 2.47m new ordinary shares out of 5.82m offered. Of the 10,000 small shareholders some 20 per cent opted to take up their new shares.

Starting with a clean sheet

Andrew Bolger looks at Budgens' recovery plan

THE CHIEF executive of Budgens, the food retailer, does not believe in hard-sell techniques – certainly when it comes to persuading the City.

Since being installed by institutional shareholders last May, Mr John von Spreckelsen has been "practically invisible", according to analysts who follow the lively retail sector.

Mr Spreckelsen said: "We decided to concentrate on improving the business, and that we would talk when the results had improved sufficiently for us to have a story to tell."

Yesterday's figures from the group are only an interim chapter of a tale which took a dramatic twist when institutional shareholders forced the resignation of Mr John Fletcher as chairman, recruited Mr von Spreckelsen and injected £21.7m into the business.

In July the new management team reported a loss of £14.7m for the year to April 27, after heavy exceptional costs and and write-offs. Mr von Spreckelsen said yesterday's interim profits figure of £3.2m was "completely clean – we cleaned out the balance sheet in April."

Although he described the results as "a significant first step on the road to recovery", he accepts that he has still to demonstrate that Budgens has a future in a world of increasingly large and competitive food retailers.

An initial priority was to sort out problems at the group's distribution centre at Wellingborough in Northamptonshire, which is far too large for a chain of only 95 stores.

Mr von Spreckelsen said security and productivity had been increased, and distribution costs were now down from 6.5 per cent to 5.6 per cent of sales.

Availability of stock in some lines was down to 70 per cent

Trevor Humphries

John von Spreckelsen: the recovery plan still on course

but has now improved to 98 per cent.

Wellingborough was still too big, he said, but bricks and mortar only accounted for about 25 per cent of costs – the main outlays were on transport and staff.

Budgens is already distributing food from Wellingborough for Betta Stores, and is working to develop a billing system, which would allow it do other third-party work – probably for small independents.

Stock losses had been substantially reduced, but Mr von Spreckelsen said it was difficult to estimate by how much: "There was such a poor information base that there could have been a numbers graveyard."

The group suffered from very high wastage levels in fresh foods.

A large adhesive coding label being stuck on top of every open tray of yoghurt tubs meant that as many as eight cartons were being wasted every time. A smaller label is now attached to the side of each tray.

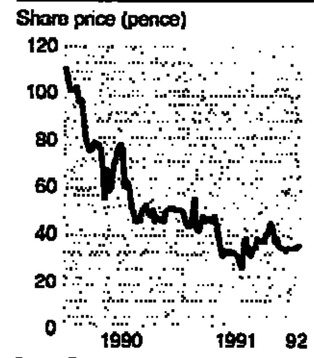
Milk was being kept in the warehouse for 48 hours, giving it a less attractive sell-by date. The minimum size of carton was 24 units; some stores could sell only 12 items, so the rest was wastage.

Mr von Spreckelsen, a very methodical man, said: "Business is all about attention to detail."

Budgens is currently testing electronic point of sale (Epos) equipment in three stores and aims to have it installed across the group within three years, which should substantially improve stock management.

Having identified competitive disadvantages such as costly distribution, the new management team has also been asking more fundamental questions – such as whether the Budgens type of small neighbourhood store is viable.

Mr von Spreckelsen said: "Demographics suggests this type of store has a future. The average age of the population is growing. They are not going



to be trolley shoppers – they are going to be basket shoppers. We are not competing with hypermarkets – we are well positioned in city centres or small towns."

Budgens is placing more emphasis on product and price flexibility, according to location. Mr von Spreckelsen insists: "Business is local."

The group has completed its market research and now has a business plan for each store. In some, there will be no change. Others have had pizzerias installed or have taken in franchises such as post offices.

The chief executive said: "A lot of pensioners collect their pension, and then may do their shopping. The trick is to convert the extra traffic into extra shoppers. This sometimes means you have to change your stock – pensioners buying whisky want half-bottles, not full bottles."

Mr von Spreckelsen, who turned round Kafu Wasmund, the Bremen-based supermarket chain, said Budgens' recovery plan was still was still on course, although competition had increased since the summer. He has identified a significant number of projects, but is keeping his cards close to his chest.

Analysts acknowledge progress has been made, but say the group's retail formula for the future is still not clear.

Until it is, the jury will remain out on whether there is a future for Budgens.

French purchase for John Brown associate

By Andrew Taylor, Construction Correspondent

John Brown, the engineering group owned by Trafalgar House, yesterday announced a further move to strengthen its growing operations on the Continent.

Sofresid, a French engineering company 49 per cent owned by John Brown, is understood to have paid more than £5m for Sechaud & Bossoyt, a French engineering design group. The company was the prime contractor in the recent reconditioning of the Eiffel Tower.

Mr Allan Gormly, managing director of John Brown and a Trafalgar House director, said that the purchase would give the group a very strong position in the French market.

Sechaud has 450 employees with offices in Paris and 11 provincial towns and has a turnover of about £30m, Mr Gormly said. This compared with a staff of 2,600 and turnover of £240m at Sofresid.

John Brown also has a wholly-owned subsidiary in the Netherlands and a joint venture with Sener, a Spanish engineering company.

Redland attacks planned Steetley/Tarmac venture

By Andrew Taylor, Construction Correspondent

THERE WAS a sharp exchange of words yesterday between Steetley and Redland, which has made a hostile £630m bid for the building materials group.

A circular posted by Steetley to its shareholders prompted Mr Robert Napier, Redland's chief executive, to say that the document contained nothing new.

Steetley had appealed to shareholders to support its plan to merge its UK brick, clay roof tile and concrete products businesses with those of Tarmac, Britain's biggest construction and building materials group.

The document included a letter from Sir Eric Pountain, Tarmac's chairman, endorsing the formation of Allied Building Materials, a joint venture company.

Mr Napier said: "It is surprising that they should believe that it would enhance Steetley's case to include a letter from Tarmac. Of course Tarmac is in favour of the joint venture."Mr David Donne, chairman of Steetley, retorted that Mr Napier's reply was a "predictably lame response."

Reject first-half losses deepen

Mr Anthony Hawser, joint chairman of the Reject Shop, yesterday strongly condemned government policies which he said had helped deepen his company's first half losses from £301,000 to £587,000.

The costs of the higher uniform business rate had offset virtually all savings on job cuts in the period, while raised VAT charges had been "a terrible piece of timing. He said that despite drawbacks, the group had performed in line with expectations. This was achieved through strict attention to costs, and tighter control of working capital.

Sales on a like-for-like basis fell by 16 per cent excluding VAT, and 14 per cent inclusive, for the 28 weeks to September 29. Total group sales were £8.9m (£9.2m), excluding VAT.

Losses per share were 3.97p (2.1p) and the interim dividend again 1.05p.

BT partly-paid shares close below 110p

By Hugo Dixon

Partly-paid shares in British Telecommunications closed yesterday for the first time below the price at which the government sold them to small investors.

In last month's £5.4bn sale, the Treasury sold shares to 2.7m small investors at 110p and to institutional investors at 125p. Yesterday, the shares closed at 109½p after touching 108¾p at one stage.

The government had made it clear that it wanted to avoid the shares going for a large premium, as this could have left it open to accusations that it had sold public assets on the cheap.

But ministers may now face the embarrassment of voters finding that their investments have fallen in value.

Nonetheless, small shareholders have not actually lost money because they received a 5.7p dividend last week.

The share price has been undermined by fears that Oftel, the industry regulator, would control BT's prices more strictly when it starts to review them at the end of this month.

Matthew Clark slips 27% as margins suffer

By Philip Rawstorne

MATTHEW CLARK, the wine and sherry producer which has carried out substantial restructuring during the past 18 months, reported a 27 per cent decline in interim pre-tax profits from £3m to £2.22m.

Operating profits fell 24 per cent to £2.03m (£2.67m) on turnover, net of duty, 19 per cent lower at £19.1m (£23.7m) during the six months to October 31.

Turnover on continuing businesses was some 11 per cent higher, reflecting "significant gains" in market share by the group's British wines, but operating margins were squeezed, falling from 14.6 per cent to 11.2 per cent under pressure particularly from multiple grocers.

Earnings per share increased by 27 per cent to 16.4p (12.9p), reflecting the acquisition of the minority interest in JE Mather, the Stone's ginger wine maker. The interim dividend goes up from 5.75p to 6.5p.

"But for the restructuring, the group would not have been able to withstand the recession in such good shape," said Mr Peter Aikens, chief executive.

Disposal last October of IH Baker, the Australian distribution subsidiary, completed the reorganisation which has included the sale of the Sealark transport arm and a stake in Macallan-Glenlivet.

Mr Aikens said that the group was now "poised to move forward" by seeking to acquire other drinks brands – particularly cider or mineral water – in the UK.

Since the period end, the group has formed a joint venture with Inver House Distillers to market and sell its Scotch whiskies, gin and vodka.

However, Mr Aikens added that Christmas trading had been difficult with volumes just ahead of the previous year. Margins were still under pressure and there was no indication that the recession was nearing its end.

BP pulls out of Egypt with $125m oil disposal

By Deborah Hargreaves

BRITISH PETROLEUM said it will pull out of Egypt with the sale, announced yesterday, of its oil production assets to Repsol Exploracion, a subsidiary of the Spanish state oil company, for $125m (£69.8m).

The sale is part of the company's drive to focus on its core exploration areas and to withdraw from countries where it has failed to reach a critical mass.

It follows BP's departure from the Qatar gas project last week.

The assets sold include its 33.33 per cent stakes in two oil concessions containing the Ras Budran, Ras Fanar and Zeit Bay fields where BP's share of production is 15,000 barrels a day.

BP has been exploring in Egypt for 15 years, but the company was not a significant presence in the country's oil industry. The company has retained its 25 per cent stake in the El Qar'a gas project which is still under development.

Difficult trading as Cantors dives to £206,000

In common with many other high street retailers, Cantors, the Sheffield-based furniture group, is suffering from "extremely difficult" trading conditions.

Announcing sharply reduced profits for the six months to October 26, Mr Harold Cantor, chairman, said trading had improved during the third quarter but customers were still showing a reluctance to spend.

The outcome for the full year would show a "marked reduction" on last year's £2.53m, he added.

Despite turnover ahead 22 per cent to £30.2m, the pre-tax line at the interim stage amounted to just £206,000, down from £1.45m in the corresponding half of 1990. Interest charges of £142,000 were incurred against receivable of £79,000.

Earnings per share dived to 0.98p (6.89p) but the interim dividend is held at 1p.

Small tickets can lead to big headaches

Peggy Hollinger examines the OFT's Eurocopy decision

SIR GORDON Borrie fired a warning shot across the bows of office equipment leasing houses earlier this week, when he said that unclear documentation would be sufficient cause for swift action from the Office of Fair Trading.

The decision not to revoke the consumer credit licences of Eurocopy, the photocopier distributor, was accompanied by a no-nonsense warning that both finance houses and distributors would have to meet "acceptable standards of behaviour". Those included providing documentation which was not "open to abuse in ways similar to those which led to complaints against Eurocopy", Sir Gordon said. Eurocopy, which came under OFT scrutiny following complaints about the sales practices of some of its subsidiaries, has promised it will only deal with leasing houses which provide clear contracts.

Sir Gordon Borrie: seeking acceptable behaviour

But there is some scepticism as to how effective Sir Gordon's comments will be within the complex world of small ticket leasing. The fact that suppliers approach customers and then arrange financing through a third party – often unbeknown to the customer – means that misunderstandings are almost inevitable.

Some analysts suggest cynically that perhaps the government only took an interest in the practices of small ticket leasing in the run-up to the General Election.

"The CBI has asked the government to consider re-introducing capital allowances," said Ms Karen Bennett of BZW. "And Labour has already said that it will re-introduce capital allowances if it gets elected . . . That's bonanza time for leasing companies."

Furthermore, Sir Gordon's comments citing the Consumer Credit Act do not apply to the vast majority of contracts negotiated in the small ticket industry. The CCA covers only those agreements worth less than £15,000 and with non-corporate clients. This represents less than 7 per cent of Eurocopy's business, for example.

Mr Andrew Yeo, analyst with Hoare Govett, said the only real effect would be to put rather weak pressure on leasing companies to clean up their contracts. "They won't be able to get away with the small print as they have in the past . . . But at the end of the day, it won't make a great amount of difference."

So where does that leave the vast majority of customers? Those with complaints about documentation, like Mr Robin Huttenbach, a director of Nelson Design, an environmental design group, have little comeback. Mr Huttenbach is now faced with a writ of summons from System Rentals Sales Aid, a subsidiary of Sabre Leasing, Union Discount's leasing arm, for non-payment.

Sabre, where bad debts were largely responsible for losses of £7.29m at Union Discount, said yesterday that it had disputes – excluding bad debts – with less than 5 per cent of its 38,000 contracts.

Mr Tony Simkin, who came to Sabre as managing director in a management shake-up last year, said the proportion of those disputes which arose from actual documentation was small. He welcomed Sir Gordon's comments, and said Sabre planned to introduce new contracts on April 1, which "set out clearly what is expected of us and the lessee".

Yet Sabre's new contract is not the result of the OFT inquiry. Instead, it stems from the industry's own attempts to salvage its image after almost two years of bad press, beginning with Eurocopy.

"All leasing has tended to be tarred with the same brush," said Mr Harry Hyman, finance director of Baltic Leasing, which operates in the big ticket sector for items such as jumbo jets and property. "Customers are not making the distinction between the types of equipment leased."

The Finance & Leasing Association, which represents more than 80 per cent of the leasing industry, last week issued its own guidelines and was more than a little upset that the OFT had failed to mention them.

Mr Brian Hassell, joint chairman of the FLA, said he was disappointed at the OFT statement. "The association has been aware of the problems in the office equipment sector for some time and has taken action to deal with them," he said.

Mr Andrew Thompson, secretary of the FLA, said that the association's guidelines – which applied to all agreements with members – could be seen to fill the gap left by the Credit Consumer Act. However, the FLA's only sanction would be a bar on membership.

Whether this is sufficient to protect customers is debatable. Perhaps the biggest deterrent to the existence of misleading documentation will be the painful repercussions to Eurocopy of the four-month OFT investigation.

London and Man writes off £17m bad debts

By John Authers

LONDON AND Manchester Group, the life assurance company, is writing off £17m before tax relief in bad debts on commercial property loans. As a result the final dividend is frozen at last year's 9.144p for a 2 per cent rise in the total.

The shares fell 22p to 263p on the news.

Mr Tom Pyne, group chief executive, said that the group had withdrawn from the commercial property lending market last year. "It's very much a one-off, and the losses have been struck off after a very rigorous examination of the portfolio. We've made sure that we now make adequate provision to make absolutely certain that our liabilities are now fully covered."

Mr Roger Harvey, analyst with Kleinwort Benson, welcomed the news, saying: "I'm quite pleased to see them take this action, rather than let it depress dividend cover.

Analysts agreed that 1991 sales figures in the mainstream life and pensions business were more encouraging. New annual premiums were up 3 per cent to £50.4m, while new single premiums rose66 per cent to £115m.

This reflects an industry-wide trend, which has shown consumers being wary of taking out regular commitments in a recessionary environment, but much more willing to shelter any spare cash they have in single premium products.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 29TH JANUARY 1992; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10 00 A.M. ON WEDNESDAY, 29TH JANUARY 1992; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 28TH JANUARY 1992.

ISSUE OF £1,800,000,000
9¾ per cent TREASURY STOCK, 2002
FOR AUCTION ON A BID PRICE BASIS

PAYABLE AS FOLLOWS:

Deposit on application:	
with a competitive bid	Price bid less £75 per cent
with a non-competitive bid	£25 per cent
Balance of purchase money:	
On Monday, 24th February 1992	£40 per cent
On Thursday, 26th March 1992	£35 per cent

INTEREST PAYABLE HALF-YEARLY ON 27TH FEBRUARY AND 27TH AUGUST

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The International Stock Exchange for the Stock to be admitted to the Official List on 30th January 1992.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 27th August 2002.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 27th February and 27th August. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 30th January 1992 and the first interest payment will be made on 27th August 1992 at the rate of £4.8190 per £100 of the Stock.

Method of Application

6. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with this prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Separate arrangements have been made under which gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 a.m. on Wednesday, 29th January 1992.

7. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 A.M. ON WEDNESDAY, 29TH JANUARY 1992;** or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 A.M. ON WEDNESDAY, 29TH JANUARY 1992;** or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 P.M. ON TUESDAY, 28TH JANUARY 1992.** Bids will not be revocable between 10.00 a.m. on Wednesday, 29th January 1992 and 10.00 a.m. on Monday, 3rd February 1992.

8. Each bid must be for a minimum amount and in a multiple of Stock as follows:—

Amount of Stock applied for	*Multiple*
Competitive bids (minimum £500,000)	
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**
Non-competitive bids (minimum £1,000)	
£1,000-£10,000	**£1,000**
£10,000-£50,000	**£5,000**
£50,000-£500,000	**£25,000**

9. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock.

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing the **DEPOSIT DUE, i.e. THE PRICE BID LESS £75 FOR EVERY £100 NOMINAL OF STOCK BID FOR,** must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) Her Majesty's Treasury reserve the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and allotments will be made to applicants whose competitive bids are at or above the lowest price at which Her Majesty's Treasury decide that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL BE ALLOTTED STOCK AT THE PRICES WHICH THEY BID: competitive bids which are accepted and which are made at prices above the lowest accepted price will be allotted in full; competitive bids which are accepted and which are made at the lowest accepted price may be allotted in full or in part only.**

10. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be in one of the multiples described in paragraph 8 above.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing a **DEPOSIT AT THE RATE OF £25 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) Her Majesty's Treasury reserve the right to reject any non-competitive bid. All allotments which are made to non-competitive applicants will be made in full **AT A PRICE (the non-competitive allotment price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive allotment price is less than £100 per cent, the amount by which the amount paid as deposit exceeds the non-competitive allotment price less £75 per cent will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive allotment price is greater than £100 per cent, applicants whose non-competitive bids are accepted may be required to pay a further deposit equal to the non-competitive allotment price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further deposit is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further deposit due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further deposit is required will be delayed until such further deposit has been made.

11. Her Majesty's Treasury may allot to applicants less than the full amount of the Stock. Any balance of Stock not allotted to applicants will be allotted at the lowest accepted price to the Governor and Company of the Bank of England, Issue Department.

12. Letters of allotment in respect of Stock allotted, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

13. No allotment will be made for a less amount than £1,000 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

14. Letters of allotment may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 24th March 1992. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any payment is overdue).

15. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section D of the application form, request that any Stock allotted to him be credited direct to his account in the CGO on Thursday, 30th January 1992 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, New Issues Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 30th January 1992 shall for the purposes of this prospectus constitute default in due payment of the deposit payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a partly-paid letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the member's account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the CGO for cancellation as aforesaid.

16 Payment of the call due on 24th February 1992 and the final instalment due on 26th March 1992 must be sent to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the final instalment is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 26th March 1992; payment of the call and final instalment and registration of Stock held for the account of members of the CGO Service will be effected under separate arrangements.

17 Until the close of business on 23rd July 1992, stock issued in accordance with this prospectus will be known as 9¾ per cent Treasury Stock, 2002 "C". The interest due on 27th August 1992 will be paid separately on holdings of the existing 9¾ per cent Treasury Stock, 2002 and on holdings of "C" stock registered at the close of business on 23rd July 1992; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of holdings of existing stock will not be applied to the payment of interest due on 27th August 1992 on holdings of "C" stock.

18. Transfers of 9¾ per cent Treasury Stock, 2002 "C" may be lodged at the Bank of England for registration in that form up to 21st July 1992. After this date, for purposes of certification, the "C" stock will not be distinguished from the existing 9¾ per cent Treasury Stock, 2002. From the opening of business on 24th July 1992, the "C" stock will be amalgamated on the register with the existing stock. CGO account balances will have been amalgamated from the opening of business on 22nd July 1992.

19 Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW, at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN, or at any office of The International Stock Exchange in the United Kingdom.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

21st January 1992

APPLICATION FORM

This form must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 A.M. ON WEDNESDAY, 29TH JANUARY 1992; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 A.M. ON WEDNESDAY, 29TH JANUARY 1992; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 28TH JANUARY 1992.

ISSUE OF £1,800,000,000
9¾ per cent Treasury Stock, 2002
FOR AUCTION ON A BID PRICE BASIS

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus dated 21st January 1992 as follows.—

SECTION A — THIS SECTION TO BE COMPLETED BY ALL APPLICANTS
Nominal amount of the above-mentioned Stock applied for, which must be a minimum amount and in a multiple as follows:-

Amount of Stock applied for	*Multiple*
Competitive bids (minimum £500,000)	
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**
Non-competitive bids (minimum £1,000)	
£1,000-£10,000	**£1,000**
£10,000-£50,000	**£5,000**
£50,000-£500,000	**£25,000**

BOX 1 NOMINAL AMOUNT OF STOCK APPLIED FOR
£

SECTION B — FOR COMPETITIVE BIDS ONLY
(i.e. for allotment to be made at the price bid)

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:—

BOX 2 PRICE BID

£	32nds

Amount of deposit enclosed, being equal to the PRICE BID (shown in Box 2) LESS £75 for every £100 NOMINAL of Stock applied for (shown in Box 1 in Section A):—

BOX 3 AMOUNT OF DEPOSIT (a)
£

SECTION C — FOR NON-COMPETITIVE BIDS ONLY
(i.e. for allotment to be made at the non-competitive allotment price as defined in the prospectus)

Amount of deposit enclosed, being £25 (b) for every £100 NOMINAL of Stock applied for (shown in Box 1 in Section A):—

BOX 4 AMOUNT OF DEPOSIT (a)
£

SECTION D — THIS SECTION TO BE COMPLETED BY CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER ____________ Telephone number ____________

Name of contact ____________

SECTION E — THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We hereby engage to pay the balance of the purchase money when it becomes due on any allotment that may be made in respect of this application, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION D, we request that any Stock allotted to us be credited direct to our account at the Central Gilts Office. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the Central Gilts Office Service from the Governor and Company of the Bank of England, New Issues Account (Participant number 4999) by the deadline for such deliveries on 30th January 1992, and we agree that the consideration to be input in respect of such delivery shall be the aggregate amount payable by us on the allotment of such Stock in accordance with the terms of the prospectus.

Date ____________ SIGNATURE(S) ____________ of, or on behalf of, applicant

PLEASE USE BLOCK LETTERS	MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
	FULL POSTAL ADDRESS —		
FT	POST-TOWN	COUNTY	POSTCODE

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The procedure for any refund, or further deposit payable, is set out in the prospectus.

NEWS DIGEST

Trading rise helps CMA to £2.05m

CENTRAL MOTOR Auctions lifted pre-tax profit by 13 per cent, from £1.81m to £2.05m, in the year to October 31. There was an exceptional credit of £174,000 against a debit of £79,000.

Auction proceeds rose nearly 15 per cent to £330.8m and operating profit was ahead 24 per cent to £1.58m (£1.28m). Net interest received, however, fell to £344,000 (£653,000).

There was an increase of 6 per cent in sales of cars and light vans, and also a rise in the volume of vehicles sold in the heavy commercial vehicles sector.

The redeveloped sites at Wimbledon and Glasgow had shown good increases in throughput of vehicles, with Glasgow particularly buoyant. The new site made its first sale at the end of September.

Earnings per share were 11.66p (10.29p) and the final dividend is 3p for a total of 4p (3.5p).

Mr Walter Beatty, chairman, described the outcome as "commendable" against a background of the Gulf war and the recession which combined to deter overseas visitors.

The interim dividend is maintained at 2p, payable from earnings of 7.31p (9.89p).

Celltech cuts losses and plans listing

Celltech Group, the UK's largest independent biotechnology company, halved its pre-tax losses and is hoping to seek a listing for its shares by 1994.

A loss of £6.58m (£12.5m) was incurred for the year to September 30, on turnover of £17m (£19.9m).

The company has completed a restructuring programme and its research is now focused on projects aimed at large markets such as cancer therapy and transplant technology.

The biologics division, which provides services to other companies and comprises the company's manufacturing operation, increased its contribution to £500,000 (£350,000).

Reduced loss at Appld Holographics

Improved control of overheads and other costs enabled Applied Holographics to cut interim losses from £1.3m to £681,000 pre-tax.

Within the results of this USM-quoted designer and producer of holograms, the UK holographic activities were profitable while the foil activities of TAPF suffered a loss as did the US operations.

For the rest of the year the company said that holographic turnover and gross contributions would be significantly higher but added that it would be foolish to predict higher levels of trading across the group.

Turnover for the six months to September 30 was static at £2.46m (£2.47m). The pre-tax figure was struck after net interest charges of £34,000, compared with income of £75,000. Losses per share came out at 4.5p (8.7p).

Jurys Hotel down 20% to I£2.1m

The Republic of Ireland-based Jurys Hotel Group reported profits down 20 per cent to I£2.07m ([illegible]) in the six months to mid-October.

The decline from last time's [illegible] came on turnover of I£14.2m (I£14.6m).

Sheriff at £312,000 and dividend lower

Sheriff Holdings, the USM-quoted plant hire group, is cutting its dividend from 5.1p to 1.5p, a move which Mr Richard Dunn, chairman, said reflected current performance, prevailing market conditions, and longer term requirements.

Pre-tax profit in the year to September 30 dived from £1.08m to £312,000, and Mr Dunn said he did not anticipate any overall increase in hire activity for another 12 or 18 months.

Turnover fell to £9.15m (£10.1m). Revenue from the hire of equipment, the core business, was maintained at 99 per cent of the previous year's level of activity, but revenue from sales diminished substantially.

Earnings per share came to 3.4p (11.3p). The final dividend is 0.75p (3.2p).

First half deficit at John D Wood

John D Wood, the USM-quoted estate agent, incurred a pre-tax loss of £194,000 in the six months to October 31 1991.

That followed the deficit of £186,000 in the second half of last year, and compared with a profit of £201,000 in the corresponding first half.

Losses per share were 1.9p (earnings 1.5p) and the interim dividend is omitted. Last year 1.5p was paid but there was no final.

Mr George Pope and Mr Ian Homersham, joint chairmen, said the nine central London sales offices and lettings and management department continued to trade profitably.

They pointed out that the recession caused greater problems within the country department, where values had fallen dramatically from the peak of 1988. Increasingly difficult trading conditions in agriculture led to a reduction in the size of the agricultural department.

Turnover fell nearly 6 per cent to £3.56m and expenditure increased slightly because of the new office in Wimbledon, expansion of the development department, unused space within the head office, and redundancy costs. Recurring controllable expenditure, however, was reduced.

Record result for Principality BS

THE Principality Building Society achieved record results last year despite the downturn in the economy and the malaise in the housing market.

The society reported pre-tax profits up 4.6 per cent to £15.1m. Total assets topped £1bn for the first time, reaching £1.03bn by the year end.

Mortgage lending at £175.1m was only £5.1m below the peak achieved in 1990, said Mr John Mitchell, chairman. The society was helped by a good result from Peter Alan, its wholly-owned estate agency, which lifted sales by 13 per cent.


THE BIG TIME
TSMS
Television Sales & Marketing Services is the UK's biggest independent airtime sales house.
We've got the biggest portfolio of clients (including Central, Anglia, Border, Berlusconi and the BBC).
Ensuring that you get the biggest value out of every second.
TSMS
WE WON'T WASTE YOUR TIME.

COMMODITIES AND AGRICULTURE

Saudis announce 100,000 barrels a day oil output cut

By **Mark Nicholson** in Riyadh

SAUDI ARABIA yesterday became the latest member of the Organisation of Petroleum Exporting Countries to announce a voluntary cut in output to shore up crude prices. It is cutting production by 100,000 barrels a day with immediate effect.

Mr Hisham Nazer, the Saudi oil minister, said the kingdom made the cut "out of its desire to maintain a balance between supply and demand on the oil market". He added: "We hope that by taking this measure things will return to normal". The cut will reduce Saudi production to 8.4m barrels a day.

The reduction follows voluntary pledges over the past few days from six other Opec members, Venezuela, Libya, Nigeria, Algeria, Iran and Qatar to cut output by a total of 200,000 b/d in response to recent softness in the market. The United Arab Emirates has also hinted that it may trim output.

Opec's 11 fully producing members have been pumping oil flat out since the agreement at their last ministerial meeting in November to sustain a nominal output ceiling of 23.65m b/d for the first quarter.

Real output, however, has been nearer 24.2m b/d and the

Russia expects oil output to fall to 405.5m tonnes in 1992, *from 462.3m tonnes in 1991*, reports Reuter from Moscow.

The forecast, contained in an official document, is below figures outlined last week by Mr Vladimir Lopukhin, *the Russian energy* minister. Mr Lopukhin said that Russia intended to produce 426m tonnes of oil in 1992.

combination of a mild winter, a delayed economic recovery in the US and a draw on stocks during the first quarter has undermined prices.

Opec ministers are due to decide on output levels for the second quarter at their next ministerial meeting in Geneva on February 12. Gulf oil officials said yesterday that the round of token voluntary cuts would make agreement in Geneva easier, but that the meeting would almost certainly have to agree on further cuts in output.

The Gulf officials said the voluntary cuts would help to prop up prices before the meeting while accelerating the first quarter draw on stocks, which they said would add to the demand for Opec oil in the second quarter.

But the officials said that despite the cuts, the February meeting would be Opec's most difficult since before the Gulf crisis, with several Opec states certain to be pressing for Saudi Arabia to make the greatest share of overall cuts. By lifting production during the Gulf crisis to help fill the gap left by lost Iraqi and Kuwaiti oil, the kingdom has lifted its share of Opec output from less than a quarter to more than a third since the Gulf crisis.

Saudi Arabia is known to be seeking a pro-rata cut shared equally by all Opec members, with the exception of Kuwait, which will be permitted to recoup its lost revenues. "The possibility for such an agreement is there, particularly since these voluntary cuts have been shared – it will make it easier if there are to be further cuts that they too should be shared," said one Gulf oil official.

Officials said, however, that the Geneva meeting was likely to see strong disagreements over where the production ceiling should be set for the second quarter and they predicted wide variation in members' forecasts for the second quarter demand for Opec crude.

Clean-up scheme for UK farms proposed

By **John Hunt**, Environment Correspondent

PROPOSALS WERE announced by Britain's National Rivers Authority yesterday for every farm to produce its own waste management plan giving details of the type and volume of effluent produced and methods of disposal.

The scheme is intended to cut down on the amount of organic wastes and agrochemicals that get into the rivers damaging fish and threating the drinking water supply.

Although the authority says that the scheme is voluntary it does envisage that farmers who fail to comply would not receive existing grants for other pollution control measure such as the provision of storage for waste.

However, it is proposing that government aid should be available to help pay for drawing up the plans.

If a voluntary scheme fails then the NRA says it will press for tough new regulations imposing a duty of care on farmers to control pollution.

Mr John Gummer, the minister of agriculture, announced that a pilot study would be carried out by the ministry to test the feasibility of pollution-control plans.

"Although only 11 per cent of total reported pollution incidents are caused by agriculture there are still too many of them," said Mr Gummer.

However, the NRA said that it had made 954 prosecutions for water pollution over the past two years and 404 of these were against farmers. Between 1979 and 1990 the number of farm pollution incidents had more than doubled from just under 1500 to over 3000.

The authority maintains that agriculture has lagged behind industry in dealing with waste. If necessary it would like to see large "factory" farms building their own treatment plants.

Under the proposals, every farm plan would include a map showing land available for spreading wastes, a statement of management and maintenance, the disposal system required and details of contingency plans in the event of accidents.

The National Farmers' Union welcomed the report and said it was prepared to co-operate in drawing up a scheme. It pointed out that £75m has already been spent on better waste handling facilities on farms.

The Influence of Agriculture on the Quality of Natural Waters in England and Wales, £10, Advertising Services, Unit 13, Lancaster Way Business Park, Ely, Cambs, CB6 3NP.

Russian smelting target 'out of reach'

Kenneth Gooding on an overstretched aluminium industry

RUSSIA AIMS to export 1m tonnes of aluminium this year, the same amount as in 1991, when the sudden flood of Soviet metal created turmoil in the western industry, caused it to make extensive production cuts and sent prices spiralling down to their lowest-ever level in real terms.

But the newly-independent republic has virtually no hope of achieving that ambitious target, says Mr Karl Wobbe, who has just returned after leading the first western delegation to the Russian aluminium industry this year.

Mr Boris Yeltsin, Russia's president, worried about his collapsing economy, has decreed that aluminium smelters in the first quarter of 1992 must supply domestic fabricators with at least 70 per cent of the tonnage supplied in the same months last year.

Mr Wobbe suggests, however, that there is little chance of smelter managers obeying this instruction.

The Russians also recognise that most of their aluminium smelters are big polluters and fall far short of acceptable standards. Two have closed but there are no indications that any more are in line for imminent closure.

In all areas Russia's political objectives for its aluminium industry are being undermined by what Mr Wobbe calls "the human factor".

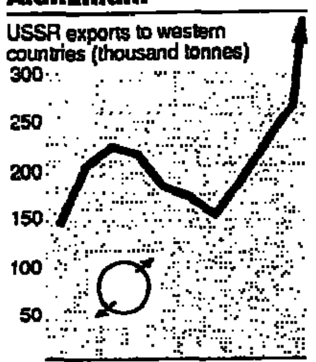
Smelter managers can hardly enjoy their new-found freedom of action when they cannot provide enough food for hungry workers and their families (most smelters are supposed to be self-sufficient and provide cradle-to-grave facilities for the workforce.)

In one extreme case, a smelter is swapping products with a northern Italian food producer – bartering 1 kg of aluminium for 1 kg of powdered milk.

Care of the environment must also take second place in these dire circumstances. Smelters at Krasnoyarsk, which produced 800,000 tonnes of aluminium a year, and at Bratsk, 1m tonnes a year, have

Aluminium

USSR exports to western countries (thousand tonnes)



Source : World Bureau of Metal Statistics

been closed because each emitted 6,000 tonnes of fluorine, about 20 times the level permitted even by Soviet standards. "But if people are hungry, smelters will continue to produce, even if it has to be at a reduced rate," Mr Wobbe points out.

Smelters are also extremely short of spare parts. So aluminium is being bartered for spares.

Mr Wobbe, who is on the management board of VAW of Germany and is responsible for the group's aluminium production, says Moscow officials want to reduce the number of barter deals because they cut foreign currency imports.

For, like the smelter managers, Russia itself is fighting for survival and gives top priority to its desperate quest for foreign currencies to pay for its debts.

The Russian aluminium industry's senior management seems well aware of the problems Soviet exports caused last year. They confirm that 1m tonnes of the metal was exported, three times the net exports of about 300,000 tonnes in 1990. This helped to push aluminium prices on the London Metal Exchange down to about 50 cents a lb – at which level 75 per cent of western world smelters are operating at or below their cash costs.

"The Russians are not happy about the price on the LME and asked what they could do. But they need foreign currencies so they have set themselves the political objective of exporting another 1m tonnes this year," says Mr Wobbe.

His team found that most of the former Soviet Union's aluminium production had been taken over by Concernalumini (Aluminium Company), set up recently in the Russian Republic. At first it was to be called the Aluminium Company of Russia but some of the assets are outside the republic: there are a smelter and alumina plants in Tadzhikistan while the biggest aluminium converting operations are in Samara near Tubichev and at Uralski Kamensk.

Mr Igor Vladimirovits Prokopof, a former minister of non-ferrous metals and chairman of Sovalum, the Soviet aluminium organisation, heads Concernalumini with another former prominent figure from Sovalum, Mr Vladimir Kaltschenko as his second-in-command. "The same people are managing the industry but I feel there is not the same power at the centre. Directors of individual plants have much more freedom of decision," says Mr Wobbe.

At the time of his previous visit, in May last year, smelters were charging converters 4,000 roubles a tonne for aluminium. Smelters are charging 30,000

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+7,000	to 1,040,375
Copper	−9,750	to 318,100
Lead	−825	to 128,925
Nickel	+432	to 15,252
Zinc	+475	to 180,425
Tin	−45	to 14,010

roubles a tonne in the first quarter this year which, at the official rate of exchange, is about $300 a tonne. Apart from inflationary pressures (Mr Wobbe estimates inflation is 2 to 3 per cent a week at present) smelters also face substantially increased costs. Imports of alumina, the essential raw material for aluminium production, are costing $180 to $200 a tonne. "I did not feel prices are covering costs, particularly of alumina, both domestically-produced and imported alumina," says Mr Wobbe.

Shortages abound – and not just of spare parts for obsolete and worn-out equipment. Russia's alumina industry is short of caustic soda, a vital raw material, and is having difficulty paying for bauxite imports, the ore from which alumina is made. There are shortages of coal products such as coke, coal tar and coal pitch.

At one aluminium plant he visited, at Tadshic, Mr Wobbe found only one production line was working, reducing the annual rate of output from 500,000 to 200,000 tonnes. "My personal impression from plant visits is that Russia's aluminium production will go down by 20 per cent this year," he says.

Russia's annual aluminium production capacity is between 3.5m and 3.6m tonnes. VAW estimates that from this the former Soviet Union produced about 3.2m tonnes last year. "We expect this to be down to 2.5m to 2.8m tonnes this year."

Transporting raw materials and finished metal is also difficult in Russia. Transport problems seem particularly acute at the moment because some ports are clogged with large grain shipments with which their bureaucratic administrative systems simply cannot cope.

"So," says Mr Wobbe, "although in theory 1m tonnes of aluminium exports could be realised, we have considerable doubts that it will."

Nevertheless, even a reduced rate of Russian aluminium exports seem likely to force the closure of more capacity in the west, particularly in Europe. Mr Wobbe points out: "It is likely that Europe will close modernised and environmentally-friendly smelters to permit polluting and unprofitable smelters in Russia to continue."

The European Aluminium Association and some governments are attempting to find a formula to prevent this happening – but not simply by putting up barriers against the Russian industry.

The European Aluminium Association's search for a compromise solution will be the subject of a second article on Friday.

'Klondikers' depress fish prices

By **James Buxton**, Scottish Correspondent

FACTORY SHIPS from the former Soviet Union are being accused by Scottish fishermen of depressing the markets for pelagic fish such as herring and mackerel in the North Sea by selling fish at below market prices to obtain foreign currency.

The factory ships, known as klondikers because of the cash which they normally pay out for fish to Western European fishermen, are having to sell off part of their cargoes of herring and mackerel to buy fuel and provisions in North Sea ports.

Following the break-up of the Soviet Union and the introduction of a market economy, the factory ships, although setting off from home with enough foreign currency to buy fish, are having to fend for themselves in meeting other needs.

Mr Jim Slater, chairman of the Scottish Pelagic Fishermens Association, says that the problem is emerging in Germany, the main market for pelagic fish (which are free-swimming as opposed to bottom-feeding).

"It is not yet happening on a massive scale but the consequences for our industry could be frightening," he says.

Scottish fishermen alone sold about 150,000 tonnes of pelagic fish to Soviet and other eastern European factory ships in 1990. About 40 klondikers were in Scottish waters before last Christmas and about 25 are there now, he said.

"The Russian people are not getting all the fish they need and our market is being depressed," he said.

Mr Slater wants fish supplies to be included in the European Community's programme of food aid to the former Soviet Union or to be covered by export guarantees.

If fish were part of the food aid programme the agents who handle fish sales would be able to accept roubles with the certainty of being paid back and the factory ships would need less foreign currency. At present the agents refuse to accept roubles.

Scottish fishermen claim that one ex-Soviet ship at present in Denmark is in the process of selling off its entire cargo of 2,000 tonnes of frozen fish.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,720 (1,650-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.20-1.40 (1.40-1.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 32.00-33.00 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-135 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.30-2.38 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

Cash shortage holds up Ivorian coffee deliveries

THE START of the Ivory Coast's 1991-92 coffee season is being delayed while the commodities marketing board, the Caisse de Stabilisation, tries to find cash to subsidise the crop, trades said, reports Reuter from Abidjan.

The government has not yet announced the start of the buying season – normally December – although farmers say they have finished most of their picking and are having to store the berries themselves.

"Everyone's ready for the coffee, but the banks are refusing to start until they're sure they'll get money from the caisse," one up-country buyer said.

The Ivory Coast, Africa's biggest coffee grower, produced between 250,000 and 270,000 tonnes in 1990-91, according to trade and government sources.

Low world coffee prices mean the Caistab must subsidise this year's crop by some CFA Fr23bn (£47m) after keeping prices to farmers at an artificially high CFA Fr100 a kilogram to support production.

But farmers say they cannot make ends meet even at this price. They have cut back on hired labour and farm chemicals, leaving more and more coffee unpicked and lowering Ivory Coast's total output.

Traders said some Fr12bn to Fr13bn francs of the coffee subsidy was already accounted for, to be recouped from levies on exports of the profitable cocoa crop. Exporters had to pay the Caistab an explicit coffee subsidy of 17 CFA francs on each kilogram of cocoa this year, they said.

"The caisse has to prove it can find the Fr10bn difference," one Abidjan trader said, adding: "The banks are refusing to finance and, until the banks finance, there will be no buying."

Banks and shippers have been hit badly in the past by huge Caistab debts.

According to the traders the Caistab's partial subsidy of coffee through cocoa shippers went against pressure from the World Bank, which is overseeing liberalisation of Ivory Coast's commodity marketing system.

"The World Bank said Ivory Coast should finance coffee itself," one said.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel rallied from earlier lows on the LME yesterday. Cash prices closed ahead, while three-month metal ended $65 down at $7,747.50 a tonne. Dealers said the lower trend reflected a technical downside correction to an overbought market. News that LME warehouse stocks rose by 432 tonnes to 15,252 tonnes, the highest since September 1984, and expectations that ample Russian metal is being stored off-warrant in Europe, indicate that little has changed in fundamentals. LME copper stocks fell sharply because of Chinese shipments. Expectations of further short-term inventory declines helped to cushion the pressure on the market, which has also been overbought, dealers said. Dollar prices closed little changed. Lead prices generally remained under pressure from the effect of the presence of trade selling orders overhanging the market on any move towards $530 a tonne for three-month metal. London cocoa prices retreated in thin trade, mostly on currency factors, dealers said. Stronger sterling against the dollar, coupled with trade selling, put the market under pressure, despite talk that Ivorian arrivals were between 23,000 and 28,000 tonnes this week and starting to taper off as expected.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.70-4.75q	-0.4
Brent Blend (dated)	$17.70-7.80	-0.7
Brent Blend (Mar)	$17.60-7.65	-0.5
W.T.I. (1 pm est)	$18.60-8.70q	-0.5
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$201-203	-2
Gas Oil	$175-177	-2.5
Heavy Fuel Oil	$59-61	-1
Naphtha	$183-185	-3
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$358.00	-0.43
Silver (per troy oz)♣	430.5c	+2.5
Platinum (per troy oz)	$345.15	+1.4
Palladium (per troy oz)	$84.00	-0.25
Copper (US Producer)	100.7c	
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.34r	+0.04
Tin (New York)	253.5c	+1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.48p	-1.43*
Sheep (live weight)†♠	102.28p	-1.88*
Pigs (live weight)†	84.51p	-0.03*
London daily sugar (raw)	$209.8t	-5.2
London daily sugar (white)	$266.7t	-1.3
Tate and Lyle export price	£223.5	-3.5
Barley (English feed)	£123.5	
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	51.00p	
Rubber (Mar)♥	51.00p	
Rubber (KL RSS No 1 Feb)	216.0m	
Coconut oil (Philippines)§	$735y	
Palm Oil (Malaysian)§	$390.0q	
Copra (Philippines)§	$490.0t	-5
Soyabeans (US)	£145.4	-2.6
Cotton "A" Index	58.70c	-0.25
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX		($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**
Mar	184.40	184.20	185.80 183.20
May	186.00	184.40	186.40 184.00
Aug	186.60	187.40	186.60 186.40
Oct	188.40	188.00	188.40 186.60
Dec	185.40	186.40	185.40
Mar	184.20		184.40 182.40
White	**Close**	**Previous**	**High/Low**
Mar	264.0	266.2	266.4 263.3
May	268.5	269.7	270.0 267.5
Aug	271.0	271.5	271.0 270.0
Oct	261.0	260.7	261.0 259.8
Dec	262.5		261.5
Mar	263.5	261.8	263.0 262.0

Turnover: Raw 425 (501) lots of 50 tonnes. White 2561 (1312)
Paris- White (FFr per tonne): Mar 1428.43, May 1472.51

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Mar	17.65	18.01	18.08 17.60
Apr	17.64	17.88	17.93 17.54
May	17.67	17.76	17.75 17.57
Jun	17.69	17.78	17.72 17.69
Jul	17.71	17.78	17.71
IPE Index	18.19	18.23	18.45

Turnover 8648 (13487)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Feb	171.00	173.50	174.00 170.25
Mar	169.25	171.50	172.00 168.50
Apr	166.75	166.75	169.00 166.25
May	165.00	167.50	167.00 165.00
Jun	165.50	167.50	166.25 165.00
Jul	166.50	166.50	166.50 164.75
Aug	168.25	170.50	168.25
Sep	170.50	172.50	170.50 170.25
Oct	173.00	174.50	172.50

Turnover 11069 (12634) lots of 100 tonnes

COTTON

LIVERPOOL- Spot and shipment sales for the week ending 17 January amounted to 20 tonnes against 334 in the previous week. Slow rading persisted with dealings in West African growths.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	734	743	741 731
May	759	771	767 758
Jul	786	799	794 785
Sep	809	820	818 808
Dec	842	850	846 841
Mar	871	879	876 870
May	889		892 882

Turnover: 4327 (3873) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.20 919.48 (932.03) 10 day average for Jan.21 907.14 (907.30)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Jan	1023	1030	1025 1023
Mar	1013	1009	1014 1004
May	994	991	997 987
Jul	1001	1000	1004 999
Sep	1016	1014	1015

Turnover:2525 (1263) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan. 20: Comp. daily 61.98 (61.84) 15 day average 62.02 (62.06)
Sterling close: January £581 , March £572

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	119.0	117.3	118.5
May	139.5	137.5	139.0

Turnover 17 (48) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	129.50		129.50
Apr	128.50		128.50

Turnover 80 (35) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Jan	1548	1546	1550 1545
Feb	1580		1580
Mar	1592		1593 1590
Apr	1600	1603	1600 1596
Jul	1383		1370
BFI	1534	1534	

Turnover 214 (18)

GRAINS – London FOX			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Jan	125.35		125.20
Mar	127.10	127.40	127.15 126.80
May	130.75	131.15	130.80 130.55
Sep	112.00	112.15	112.00
Nov	115.25	115.40	115.25
Barley	**Close**	**Previous**	**High/Low**
Mar	119.80		120.35 120.00
May	122.35		122.60 122.40

Turnover: Wheat 294 (272), Barley 82 (5).
Turnover lots of 100 Tonnes.

PIGS – London FOX	(Cash Settlement) p/kg		
	Close	Previous	High/Low
Mar	111.0	111.0	110.8 110.8
Apr	111.0	111.0	111.0 110.8
May	111.5	111.0	111.0 111.0
Jun	111.0		111.0 111.0

Turnover:88 (149)lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	133.58	139.44			

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,139 lots
Cash	1202.5-3.5	1205-06		1198.5-99.5		
3 months	1227-28	1228.5-30.0	1232/1217	1223-3.5	1222-23	122,723 lots
Copper, Grade A (£ per tonne)						Total daily turnover 12,195 lots
Cash	1190-91	1207-08	1196	1194-95		
3 months	1216-6.5	1232-33	1223/1216	1220-20.5	1219-20	110,655 lots
Lead (£ per tonne)						Total daily turnover 2,904 lots
Cash	284.5-5.5	287-8	286	286-6.5		
3 months	296.5-7.0	299-300	298.5/297	297-7.5	296.5-7.5	16,721 lots
Nickel ($ per tonne)						Total daily turnover 6,167 lots
Cash	7675-85	7850-60		7675-85		
3 months	7745-50	7810-15	7830/7630	7745-50	7770-80	19,842 lots
Tin ($ per tonne)						Total daily turnover 753 lots
Cash	5455-60	5465-75	5445	5445-50		
3 months	5515-16	5525-30	5515/5505	5505-10	5515-20	4,995 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,126 lots
Cash	1153-55	1155-57	1165/1150	1151-52		
3 months	1141-42	1136-37	1148/1135	1137.5-8.0	1144-45	41,690 lots

LME Closing £/$ rate:
SPOT: 1.8065 3 months: 1.7790 6 months: 1.7558 9 months: 1.7316

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (fine oz)	**$ price**	**£ equivalent**
Close	357.80-358.20	
Opening	357.85-358.25	
Morning fix	357.35	198.307
Afternoon fix	357.80	198.502
Day's high	358.30-358.60	
Day's low	356.30-356.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.48	6 months	3.42
2 months	3.46	12 months	3.43
3 months	3.46		

Silver fix	p/fine oz	US cts equiv
Spot	236.60	425.90
3 months	242.65	429.90
6 months	248.60	434.20
12 months	260.65	444.40

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	357.75-358.25	198.50-199.00
Maple leaf	368.50-369.50	204.25-204.75
New Sovereign	87.50-88.50	48.50-49.00

TRADED OPTIONS				
Coffee	**Mar**		**Mar**	
500	72			
550	30		8	
600	7		35	
Cocoa	**Mar**	**May**	**Mar**	**May**
700	44	70	11	11
725	29	53	21	19
750	18	58	35	29
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700		127	19	53
1750		94	33	65
1800	36	70	57	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	358.0	357.8	0	0
Feb	358.4	358.2	359.1	356.8
Mar	359.3	359.1	359.4	358.8
Apr	360.4	360.2	361.1	358.8
Jun	362.6	362.4	363.0	361.5
Aug	364.8	364.6	0	0
Oct	366.9	366.6	0	0
Dec	369.2	369.2	369.7	369.2
Feb	371.5	371.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	344.4	341.9	0	0
Apr	343.4	342.8	345.8	342.0
Jul	343.9	344.0	347.0	344.5
Oct	347.9	348.7	351.0	348.5
Jan	349.9	349.7	350.5	350.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	426.3	425.7	430.0	426.0
Feb	426.9	426.2	0	0
Mar	428.5	427.7	434.0	426.0
May	431.6	431.0	437.5	429.5
Jul	434.8	434.3	440.5	434.0
Sep	438.2	437.8	442.0	438.0
Dec	443.6	443.3	449.0	441.0
Jan	445.5	445.3	0	0
Mar	449.5	449.3	454.0	454.0
May	453.6	453.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	96.20	95.50	96.90	96.15
Feb	96.55	96.86	97.00	96.55
Mar	96.95	97.15	97.80	96.60
Apr	97.00	97.25	97.00	97.00
May	97.05	97.30	97.70	96.60
Jun	97.25	97.50	97.30	97.30
Jul	97.45	97.70	98.00	97.20
Aug	97.55	97.80	97.70	97.70
Sep	97.65	97.90	97.85	97.60
Oct	97.70	97.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Feb	18.46	18.89	18.87	18.40
Mar	18.68	19.04	19.07	18.62
Apr	18.83	19.14	19.18	18.77
May	18.87	19.13	19.22	18.83
Jun	18.83	19.12	19.19	18.83
Oct	18.97	19.14	19.15	18.93
Nov	19.00	19.16	19.07	19.00

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	5380	5449	5435	5325
Mar	5385	5485	5485	5360
Jun	5185	5223	5225	5160
Jul	5175	5233	5235	5150
Aug	5240	5313	5280	5240
Sep	5390	5443	5430	5390

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	1202	1209	1209	1198
May	1237	1245	1244	1233
Jul	1273	1280	1279	1265
Sep	1302	1309	1307	1300
Dec	1341	1348	1344	1338
Mar	1376	1383	0	0
May	1397	1404	0	0
Jul	1417	1424	0	0
Sep	1447	1454	0	0
Dec	1477	1484	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	78.30	78.60	78.95	78.15
May	81.05	81.50	81.75	80.95
Jul	83.65	84.20	84.30	83.65
Sep	86.50	86.95	86.80	86.40
Dec	89.60	90.50	90.25	89.90
Mar	92.65	93.65	93.25	93.10
May	94.90	95.75	95.15	95.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.41	8.40	8.49	8.34
May	8.42	8.44	8.48	8.36
Jul	8.43	8.43	8.48	8.38
Oct	8.48	8.47	8.53	8.40
Mar	8.51	8.51	8.48	8.47
May	8.48	8.51	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	55.71	56.15	56.12	55.65
May	57.38	57.85	57.80	57.37
Jul	58.73	59.18	59.08	58.70
Oct	61.20	61.60	61.50	61.25
Dec	62.00	62.25	62.35	61.92
Mar	63.60	63.80	63.75	63.70
May	64.40	64.55	64.50	64.40
Jul	65.03	65.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	141.55	145.05	145.00	140.60
May	141.60	145.80	145.80	141.50
Jul	142.00	145.80	146.40	142.00
Sep	140.10	144.90	143.00	140.00
Nov	129.60	133.55	133.50	130.05
Jan	145.05	150.15	149.00	146.50
Mar	128.60	131.55	0	0
May	128.60	131.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan.21	Jan.20	mnth ago	yr ago
1601.4	1605.3	1592.6	1667.5

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.20	Jan.17	mnth ago	yr ago
Spot	114.77	114.86	112.84	122.38
Futures	122.64	122.61	119.19	125.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	575/4	571/0	576/0	570/0
Mar	578/2	573/6	579/4	573/2
May	586/2	581/4	587/4	581/0
Jul	595/4	590/6	596/6	590/0
Aug	598/4	593/4	600/2	594/4
Sep	601/4	599/0	603/4	598/4
Nov	610/2	605/2	611/4	604/4
Jan	618/2	613/2	619/0	614/0
Mar	628/0	623/0	628/0	626/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	19.45	19.19	19.45	19.07
Mar	19.65	19.35	19.67	19.23
May	19.91	19.63	19.93	19.51
Jul	20.20	19.92	20.22	19.81
Aug	20.35	20.10	20.36	19.98
Sep	20.42	20.20	20.49	20.15
Oct	20.45	20.30	20.45	20.28
Dec	20.85	20.60	20.85	20.85
Jan	20.90	20.70	20.90	20.60
Mar	21.00	0	21.00	20.80

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jan	179.4	177.8	179.5	177.1
Mar	177.1	176.5	177.8	175.6
May	178.3	177.3	179.2	176.6
Jul	180.1	179.0	181.2	178.3
Aug	181.5	180.2	182.2	179.7
Sep	182.4	181.3	183.3	180.7
Oct	197.5	196.2	197.6	195.5
Dec	199.5	197.7	199.7	197.0
Mar	200.0	198.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	259/4	261/2	261/0	258/6
May	266/0	268/0	267/4	265/4
Jul	270/4	272/4	272/0	270/0
Sep	267/2	268/2	268/0	266/6
Dec	264/0	264/2	264/6	262/6
Mar	270/4	271/0	270/6	269/2
May	275/0	275/2	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	424/0	422/4	424/4	418/4
May	408/6	408/6	410/0	405/2
Jul	381/0	385/0	384/4	379/4
Sep	383/4	389/0	388/6	380/0
Dec	393/4	399/0	398/0	393/0
Mar	395/0	396/4	400/0	395/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	74.97	73.62	75.00	73.80
Apr	75.50	74.47	75.65	74.60
Jun	70.45	70.17	70.90	70.17
Aug	67.85	67.72	68.27	67.72
Oct	68.40	68.15	68.65	68.12
Dec	69.40	69.10	69.40	69.00
Feb	68.85	68.65	68.85	68.65

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	40.40	39.80	40.62	39.95
Apr	39.35	39.15	39.52	39.12
Jun	43.22	43.20	43.45	43.10
Jul	43.87	43.67	44.25	43.75
Aug	42.57	42.42	42.72	42.30
Oct	40.20	40.17	40.30	40.00
Dec	42.97	42.82	43.05	42.75
Feb	44.45	44.25	44.40	44.00

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	33.25	33.45	34.17	33.10
Mar	33.85	34.06	34.62	33.60
May	35.22	35.32	35.80	34.80
Jul	35.90	35.90	35.85	35.75

LONDON STOCK EXCHANGE

Market falters after early gains

By Steve Thompson

CONCERN about the strength of the long-hoped for upturn in the UK economy, political worries and disappointment at the performance of the two key overseas markets – Wall Street and Tokyo – took the shine off an early strong showing by UK equities.

Adding to a general feeling of anti-climax around London's dealing desks was the continued absence of the strongly-rumoured bid for one of the leading UK stocks and a sharp downturn in the Footsie futures market. The latter has been instrumental in leading the primary market sharply higher in recent sessions.

But overall activity in London was substantially higher as a healthy two-way pull developed among the leading trading houses.

Account Dealing Dates		
*First Dealings:		
Jan 13	Jan 27	Feb 10
Option Declarations:		
Jan 23	Feb 6	Feb 20
Last Dealings:		
Jan 24	Feb 7	Feb 21
Account Day:		
Feb 3	Feb 17	Mar 2

*New-time dealings may take place from 8.30 am two business days earlier.

The FT-SE 100-share index moved up strongly at the outset, peaking at 2,565.6, or up 16.7, some 40 minutes after the opening of business, but thereafter came under modest but persistent downward pressure to close a net 1.5 lower at 2,543.4.

Early trading in equities was highlighted by a general mark-up of some of London's so-called takeover favourites. The early strength was also encouraged by an initial spurt in the Footsie future which moved to a 50 points premium over the cash market and well ahead of the fair value mark which allows for dividend flow and financing costs of the underlying costs.

The widespread rises in the blue-chips, however, proved short-lived. A series of heavy programme trades, a flurry of institutional selling orders in both the Future and the cash market and a slightly disappointing opening by Wall Street took the wind out of the market's sails.

Responding quickly to the pressure, the Footsie quickly went into reverse and dipped off to register the day's low point – a 4.9 decline at 2,540.0 immediately the depressed money supply and bank lending figures were made public. Thereafter the market moved narrowly. The Future settled at a premium of 34 over the cash market.

Dealers noted at least three, and possibly more, hefty trading programmes, one weighted heavily on the sell side and two more said to have been evenly spread across the range of blue chips.

The programmes gave a big boost to market turnover which picked up significantly to reach 619.4m shares. This compared with Monday's 418.2m and last Friday's 687.2m.

Another depressant in the market was a suggestion that one of the leading brokerage houses had prepared a bearish note on the UK economy and downgraded its Footsie estimates.

Oil shares attracted keen interest with the "majors" responding to recent broker buy notes and tending to ignore yesterday's dip in crude oil prices which occurred in spite of news that Saudi Arabia proposes to cut its crude oil output by 100,000 barrels a day. This comes hard on the heels of news that Iran and Algeria have implemented output cuts.

Dealers were intrigued at the rumours of an imminent and sizeable bid for one of the big UK stocks but no news emerged.

Food retailers responded to a broker buy recommendation, while Smith New Court, London's "bought-deal specialist" was said to have carried out a big trade in London International Group.

FINANCIAL TIMES STOCK INDICES

	Jan 21	Jan 20	Jan 17	Jan 16	Jan 15	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.86	87.82	87.74	87.60	87.48	83.98	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.14	100.08	99.90	99.77	99.56	91.63	100.14 (21/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1974.1	1971.9	1965.6	1958.3	1940.6	1629.6	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	160.6	158.2	159.2	156.0	158.9	152.7	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2543.4	2544.9	2536.7	2541.6	2537.1	2080.5	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1172.39	1169.41	1171.15	1164.75	1174.57	-	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.65	4.66	4.67	4.67	4.68	5.87				
●Earning Yld %(full)	6.98	6.99	7.01	7.00	7.01	12.22				
●P/E Ratio(Net)(☆)	18.02	17.98	17.94	17.95	17.92	9.89				
SEAQ Bargns 4.45pm	29,816	30,102	32,267	31,769	32,079	23,668				
Equity Turnover(£m)†	-	779.9	1351.6	1353.4	1207.5	639.76				
Equity Bargains†	-	30,408	35,344	31,691	32,605	23,880				
Shares Traded (ml)†	-	348.9	584.6	583.5	548.2	324.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.00

Ordinary Share Index, Hourly changes Day's High 1985.6 Day's Low 1972.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1976.5	1980.5	1984.4	1976.2	1973.1	1973.0	1974.0	1973.3	1976.1

FT-SE 100, Hourly changes Day's High 2561.6 Day's Low 2540.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2549.0	2553.9	2557.3	2546.8	2541.2	2542.7	2543.7	2543.2	2544.9

FT-SE Eurotrack 200, Hourly changes Day's High 1178.76 Day's Low 1169.11

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1178.23	1178.48	1176.27	1175.27	1174.19	1173.77	1172.57

GILT EDGED ACTIVITY

Indices*	Jan 20	Jan 17
Gilt Edged Bargains	67.6	99.4
5–Day average	82.8	85.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

BAT loses ground

THE PRICE of conglomerate BAT Industries was affected by a profits downgrade from one securities house and a change of stance from another. The shares were 7 down before recovering to close a net 5 off at 688p on turnover of 2.8m.

The shares, which stood at 785p last July, have been affected by heavy losses at BAT's insurance subsidiary Eagle Star. The latter was behind yesterday's forecast cut. Mr Nyren Scott-Malden of BZW downward revised his 1991 estimate by £30m to £1.05bn, with £20m of that figure representing the estimated impact on Eagle of the weak UK stock market in the fourth quarter.

Although remaining a buyer of the stock Mr Scott-Malden has also cut his 1992 estimate by £50m from £1.5bn to reflect shifting exchange rates.

Further, Mr Bruce Davidson of Smith New Court changed his stance to a hold from a buy, arguing that: "The yield on BAT is now in line with the lowest of the UK composites."

Inchcape firm

Business services group Inchcape gained ground shortly before the close of trading. It announced that the European Community had approved its £382m purchase of Tozer Kemsley & Millbourn, the vehicle sales, distribution, transport and storage and tyre services group.

The announcement was expected and the shares were already firm but they moved forward another 3 on the news to close 12 up at 438p, an all-time high. The partly-paid shares gained 23 to 279p. After the second instalment of 151p is taken into consideration they are now at a discount of only 8 to the fully-paid shares.

News of an encouraging gas discovery by an Arco-led consortium in block 44/18 in the North Sea triggered a flurry of support for the UK quoted participants in the find, Goal Petroleum, which has a 15 per cent stake, and Clyde Petroleum, with a 25 per cent interest. Clyde edged up 2 to 78p and the former rose 4 to 60p.

Lasmo moved ahead 7 to 255p on heavy turnover of 3.6m, with much of the demand emanating from Smith New Court. The broker published a detailed document on Lasmo, labelling the shares a buy. Mr Alan Sinclair, exploration and production specialist at Smith, described Lasmo as a strong buy and said the company had made an excellent acquisition in Ultramar which had transformed Lasmo from what was becoming a somewhat depressing story of lack of growth.

British Gas was active (5.5m shares traded) and held at 246p after reports that the group could be considering floating off its gas marketing operations. BP firmed 1½ to 293p as the market responded to news that Saudi Arabia is reducing crude oil output by 100,000 barrels a day. The Saudi move follows output cuts by Libya and Algeria.

Volatility in Glaxo was caused by continuing good news on the product front contrasted by US selling.

The shares were off 12 in the morning but recovered to show a slim gain after the company announced that it had won a UK product licence for one of its hypertension drugs, Lacipil. However, continued unloading of the American Depositary Receipts on Wall Street depressed the London shares again and they closed 5 down at 859p with 5.5m traded.

Fisons put on 5 to 358p ahead of today's research and development presentation. The company is expected to discuss two of its drugs, and the feeling among analysts is that the company is bound to try and come up with some good news to offset the recent negative comment.

Smith New Court placed nearly 2.2m shares in London International Group in the market at 287p per share. LIG firmed 2 to 292p on a volume of 6.4m.

London & Manchester dropped 22 to 263p after revealing unexpected provisions against commercial property for the year of £17m before tax, and a dividend held at 9.144p. The news caught the market by surprise. Commented an analyst: "I do not think anyone had contemplated anything of this nature."

The announcement depressed other life insurers on fears of similar adjustments. Prudential losing 4¼ to 234p and Legal & General, on a large turnover of 2.3m, dipping 5 to 373p.

There was turbulence in the telecoms sector. Cable and Wireless fell 17 to 589p on rumours that proposed merger talks with AT&T, of the US, had been called off and might not resume until after the UK general election.

Vodafone came under increased pressure, retreating 17 to 589p as the market continued to digest a placing on Monday and also remained depressed by disappointing figures released recently on new subscribers. Interest switched to Securicor Group, up 45 at 738p, and its associated shares, Securicor "A", 23 stronger at 565p, and Security Services, 25 ahead at 455p, partly on greater confidence in Cellnet, the rival cellular phone system in which it has a 40 per cent stake.

Word that British Steel was experiencing disappointing sales on strip products since increasing prices at the start of the year failed to have much effect on the shares, which eased a half-penny to 75½p.

Bass was 20p lower at one stage on nervousness about a possible profits warning being made at the company's annual meeting today. Last year's meeting produced a significant profits warning that triggered a sharp fall in the share price. However, the stock picked up from yesterday's initial weakness to close just 5 off at 1092p.

There was more overseas selling of PowerGen and National Power – from Japan and the US – which left the electricity generators off 2 at 136¼p and 3 at 146p respectively. Volume was a relatively heavy 6.1m and 7.1m.

RTZ finished 6 higher at 539p, continuing a recent rise on technical factors and in sympathy with recovery in cyclical stocks.

Lonrho gained a penny to 165p in active trading ahead of annual results due tomorrow, when it has been speculated that it might cut its dividend.

Continuing bearish sentiment in British Aerospace left the group 16 weaker at 286p after brisk turnover of 5.7m. Monday's news of the resignation of the finance director and possible property provisions again acted against the shares. There was also renewed gloom in the market over the lack of news forthcoming on BAe's Saudi Arabian defence contract.

Adverse dollar movements pushed Tomkins, the engineering group, down 10 to 435p.

A negative review of UK economic prospects by UBS Phillips & Drew prompted a selective downgrade of its leisure stocks. Analyst Mr Paul Heath said: "We estimate an increase in consumer spending of just 0.2 per cent in 1992, which will have widescale implications for the leisure sector."

Hotel group Forte's 1992 profits have been shaved £15m to £135m, Queens Moat Houses' lowered £5m to £100m and Ladbroke's reduced £20m to £230m. Rank Organisation, which is due to report shortly, and Granada Group, recently revised by P & D, escaped the review. Forte slipped a penny to 235½p, Queens Moat added the same amount at 74p and Granada put on 4 to 217p, while Ladbroke eased 2 to 224p, as did Rank, at 633p.

Market opinion shifted on Associated British Ports, where worries about property provisions had recently pulled the price down, the stock coming back 12 to 341p. Heavily tipped Tipkook also rebounded after recent weakness, rising 10 to 393p.

Meyer International saw further profit-taking and closed 10 down at 401p. However, Wolseley, one of the favoured stocks in the builders merchants sector, added 6 at 416p.

Blue Circle Industries was among the market's so-called bid favourites yesterday but the absence of any takeover news saw the shares relinquish 2 to 257p.

Hanson lost 2¼ to 211½p as investors switched from convertible to ordinary shares. Turnover was a busy 10m.

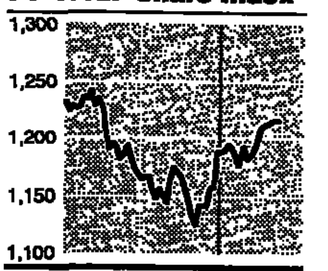
Food retailer Asda closed slightly easier at 36p after telling customers to return a range of garlic dips because glass fragments had been found in containers.

A fresh slide in Ratners was accentuated by its decision to suspend payment of its preference shares. The stock fell 4½p or more than 18 per cent to 20p, following a decline of 2¼ the previous day.

MARKET REPORTERS:
Andrew Jack, Peter John, Christopher Price, Steve Thompson.

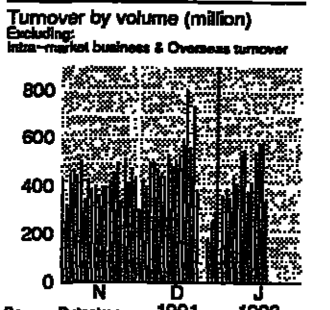
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (86).

BRITISH FUNDS (8) Tr. 2pc IL 1992, Tr. 8¾pc 1993, Tr. 9pc 1994, Tr. 8¾pc 1997, Tr. 6¾pc '95-98, Cv. 9pc 2000, Tr. 10pc 2001, Tr. 9pc '08, OTHER FIXED INTEREST (8) African Dev. 11⅛pc 2010, Asian Dev. 10¼pc 2009, Birmingham 11½pc 2012, Hydro-Quebec 15pc 2011, Intl-Amer. Dev. 12½pc 2003, Do. 9¾pc 2015, AMERICANS (1) Echlin, BANKS (2) ABN Amro, Deutsche, BUILDING MATERIALS (2) St. Gobain, Titon, BUSINESS SERVICES (2) Hays, Inchcape, CHEMICALS (2) MTM, Plysu, CONGLOMERATES (1) Jardine Hldgs., ELECTRICALS (3) Chemring, Hawker Siddeley, Unidare, ELECTRONICS (5) Domino Printing, Druck, Elect. Data Proc., Micro Focus, Telemetrix, ENGINEERING GENERAL (2) Hall Eng., Weir, FOOD MANUFACTURING (4) BSN, Dalepak, Tate & Lyle, Taveners, FOOD RETAILING (2) Iceland Frozen, Park, HOTELS & LEISURE (4) Granada, Do. 7.5p (Net) Prf., Photo-Me, Tenjong, INSURANCE BROKERS (1) Lloyd Thompson, INSURANCE BROKERS (1) FBD, INVESTMENT TRUSTS (7) Electric & Gen., Fmg. Intl. High Zero Prf., Gen. Cons. Stppd. Prf., Kleinwort High Inc. Zero Prf., River Plate Zero Prf., Scot. Value, Throgmorton Dual Inc. Cap., MEDIA (4) Central ITV, Euromoney Publs., Independent, Scottish TV, MISCELLANEOUS (1) Stag Furniture, MOTORS (1) Central Motor Auctn., OIL & GAS (1) Total B, OTHER FINANCIAL (1) Harris (Ph), STORES (1) Next, TEXTILES (3) Brit. Mohair, Campari Intl., Leeds, TRANSPORT (1) BAA.

NEW LOWS (35).

BREWERS & DISTILLERS (1) Wiltshire, BUILDING MATERIALS (4) Blockleys, Freeman, Hewetson, Sturmin, CONGLOMERATES (1) Gieves, CONTRACTING & CONSTRUCTION (4) Jarvis, McAlpine (A), Miskin, Sheriff, ELECTRICITY (1) Scot. Power, ELECTRONICS (2) Densitron Intl., Sema, ENGINEERING AEROSPACE (2) Dyson (J & J), Silvermines, FOOD MANUFACTURING (3) Acatos & Hutcheson, Matthews (B), RHM, INSURANCE BROKERS (1) Durham (DG), INSURANCE LIFE (1) Lon. & Manchester, MERCHANT BANKS (1) Brown Shipley, MISCELLANEOUS (2) Aberfoyle, Hawtal Whiting, OTHER FINANCIAL (4) JF Pacific Wrrnts., Japanese Wrnt., Union Discount, World Trust Fd., PROPERTY (7) Bredero, City Site Ests., Davies (DY), Markheath, Merivale Moore, Shaftesbury, Wates City of London, TEXTILES (1) Lister.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	42	438	-15	Cookson	290	112	-1	Lucas	3,300	115	-1	Shell Transport	3,400	498	-1
ASDA Group	18,000	36	-½	Courtaulds	2,800	517	+5	MB Caradon	1,600	273	+3	Siebe	480	567	-1
Abbey National	2,100	294	+4	Dalgety	1,400	375		MEPC	423	389	+1	Slough Ests	390	236	-2
Albert Fisher	3,400	77		De La Rue	373	512	+2	Manweb	140	310	-1	Smith (W.H.) A	1,800	463	+2
Allied-Lyons	1,500	652	+9	Dixons	2,600	231	+1	Marks & Spencer	2,700	298		Smith & Nephew	3,600	145	+½
Amstrad	5,600	28	-3	ECC Group	7,700	494		Midland Bank	3,600	230	+4	SmKl Beecham	1,600	897	-9
Anglian Water	884	359	+2	Eastern Elect.	858	221	-4	Midlands Elect.	830	256	-2	SmKl Beecham Uts	78	4115	
Argos	2,800	283	-8	East Midland Elect.	1,900	347		NFC	864	243	+2	Smiths Inds.	1,800	287	-5
Argyll Group	2,700	302	+2	Enterprise Oil	785	454	+6	NatWest Bank	5,000	398	+3	Southern Elect.	771	250	+1
Arjo Wiggins	1,000	258	+2	Eurotunnel Units	8,600	455	-6	National Power	7,100	136½	-2	South Wales Elect.	391	313	
Ass. Brit. Foods	921	437	+7	FKI	1,200	58		Next	3,700	66	+2	South West Water	121	320	-1
BAA	1,300	584	-4	Ferranti	2,400	5	-½	North West Water	760	343	+1	South West Elect.	530	258	+3
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	360	280	+1	Hillsdown	2,300	180	+1	Reuters	2,400	1049	+12	Unilever	1,800	900	-4
BP	6,600	298	+1½	IMI	1,100	252	+2	Rolls Royce	6,300	140	+3	United Biscuits	1,100	412	-2
British Steel	6,600	75½	-½	ICI	1,200	1250	+4	Rothmans	253	1080	-7	Utd. Newspapers	[illegible]	384	+4
British Telecom	4,000	316	-2	Inchcape	808	438	+12	Ryl Bk Scotland	1,000	172	+1	Vodafone	3,900	358	-7
Br Telecom New	5,800	108½	-2½	Kingfisher	1,600	495	+1	Royal Insurance	698	270	+3	Warburg (SG)	162	543	
Bunzl	119	90		Ladbroke	2,800	222	-2	Saatchi	1,200	13½		Wellcome	1,400	1055	+5
Burmah Castrol	495	512	-2	Land Securities	747	473	-7	Sainsbury	2,100	368	+3	Welsh Water	144	358	+3
Burton	7,900	37	-½	Laporte	248	628	+5	Scottish & New	774	435	-3	Wessex Water	494	375	-4
Cable & Wire.	6,600	589	-17	Legal & General	2,300	373	-5	Scot. Hydro-Elect.	1,300	102½	-1½	Whitbread 'A'	1,900	474	-5
Cadbury Schweppes	2,500	442	+1	Lloyds Abbey	2,300	378	-1	Scottish Power	1,700	95½	-1½	Williams Hldgs	3,000	324	-1
Calor Group	191	[illegible]	-2	Lloyds Bank	2,100	403	-1	Sears	3,400	98	-1	Willis Corroon	2,400	255	+1
Carlton Comms	1,100	536		LASMO	4,200	255	+7	Sedgwick	635	223		Wimpey	4,700	118	+1
Coats Viyella	2,000	181	-2	London Elect.	737	250	-3	Seeboard	447	249		Yorkshire Elect.	797	298	
Comm. Union	904	483	+5	Lonrho	5,000	165	+1	Severn Trent Water	1,700	319	+2	Yorkshire Water	340	382	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

WEAKNESS in the underlying stock market, a lower Wall Street and technical trading conspired to depress recent high premiums on FT-SE futures yesterday.

On the Liffe, the March contract opened at a strong premium of 46 points above the underlying market against its estimated fair value - the premium which allows for dividend flow and financing costs on the underlying Footsie stocks - of 22.

March ticked up a little first thing and then, a heavy programme trade weighted to the sell side in the cash market, brought it back from a high of 2,604. It reached a low shortly afterwards as a results of a sell order in a thin market.

But, in the afternoon, the declines on Wall Street affected sentiment and just before the close traders, who earlier bought the contract on its relative cheapness, rushed to sell out and straighten their books. At the official close, March was 2,577, a premium of 44, with some 5,600 contracts traded. It continued lower in after hours trading to reach 2,563.

In LTOM, turnover of 21,569 lots was significantly down on the previous day. Asda was the busiest stock option with 1,392 contracts traded. FT-SE Index options were active.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
12¾pc 1992‡‡		100½xd	—	101½	100⅛	12.73	—
10pc 1992		100xd	+1/32	[illegible]	97	10.00	10.47
2pc IL 1992‡‡		135⅜	+1/16	135¾	125	2.82	8.36
8pc 1992‡‡		99	—	99	95	8.05	10.29
10½pc Cv 1992‡‡		100	+1/16	100	98½	10.49	10.22
3pc 1992		97	—	97	91	3.07	8.30
Exch 12¼pc 1992		101¼xd	+1/16	102	100	12.10	10.21
[illegible]							
10¼pc 1995		101	+1/32	102	95	10.07	9.68
Treas 12¾pc 1995‡‡		109	—	110	105	11.64	9.70
14pc 1996		113	+⅛	114	109	12.36	9.95
9pc 1992-96‡‡		99	+⅛	99	92	9.07	9.27
15¼pc 1996‡‡		119	+⅛	119	115	12.87	9.88
Exch 13¼pc 1996‡‡		111	+⅛	112	106	11.84	9.84
Conversion 10pc 1996		101½	+1/32	101	95	9.85	9.62
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		118½	+⅛	114	108	11.67	9.78
Exch 10½pc 1997		103xd	+⅛	103	97	10.13	9.60
Treas 8¾pc 1997‡‡		98	+⅛	98	89	8.98	9.51
Exch 15pc 1997		121	—	123	117	12.31	9.85
9¾pc 1998		100xd	-⅛	100	93	9.67	9.59
Treas 6¾pc 1995-98‡‡		89	+1/32	89	80	7.58	9.10

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
15½pc '98‡‡		127⅝	—	128	121¾	12.14	9.79
Exch 12pc 1998		111⅜	—	111	104	10.77	9.70
Treas 9½pc 1999‡‡		100	—	100	92	9.45	9.42
Exch 12¼pc 1999		113	—	113	105	10.84	9.71
Treas 10½pc 1999		104	-½	104	97	10.02	9.59
Conversion 10¼pc 1999		103	-½	103	95	9.89	9.59
9pc 2000‡‡		97	—	97	89	9.20	9.41
Treas 13pc 2000		118	-½	118	110½	10.96	9.76
10pc 2001		100xd	—	103	94	9.69	9.49
14pc '98-01		119¼	-¼	119	113	11.74	9.86
[illegible]							
Over Fifteen Years							
Treas 11¾pc 2003-07		116	—	116	105	10.12	9.43
8½pc 2007‡‡		94	-⅛	94	84	9.03	9.25
13½pc '04-08		129	-⅛	129	118	10.42	9.42
9pc 2008‡‡		98	-⅛	98	88	9.13	9.20
8pc 2009		88	-⅛	88	80	8.90	9.20
Conv 9pc Ln 2011‡‡		98	-⅛	98	88	9.13	9.19
9pc 2011 B		98	-⅛	98	93	9.13	9.18
Treas 5½pc 2008-12‡‡		66½	-⅛	66	58	8.27	9.16
7¾pc 2012-15‡‡		86xd	-⅛	86	78	8.98	9.22
Exch 12pc '13-17		128	—	128	113	9.51	9.24
Undated							
Consols 4pc		41xd	+⅛	41	37	9.64	—
War Loan 3½pc‡‡		37	+⅛	37	33	9.39	—
Conv 3½pc '61 Aft		60	+⅛	61	57	5.74	—
Treas 3pc '66 Aft		31	+⅛	31	28	9.88	—
Consols 2½pc		28	+⅛	28	23	9.58	—
Treas. 2½pc		25	+⅛	25	23	9.82	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	122¼	-¼	122	115	2.81	3.79
2pc '96	(67.9)	178¼	-¼	178	168	3.36	3.96
2½pc '01	(78.3)	146	-¼	146	137	3.93	4.26
2½pc '03	(78.8)	140	-¼	141	133	4.00	4.28
2pc '06	(69.5)	142xd	-¼	149	135	4.08	4.30
2½pc '09	(78.8)	130¾	-¼	131	124	4.10	4.31
2½pc '11	(74.6)	134xd	-¼	135	128	4.12	4.31
2½pc '13	(89.2)	118xd	-¼	111	105	4.12	4.29
[illegible]							

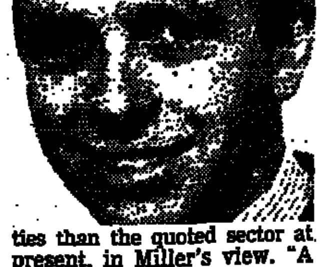
Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1991: 133.5 and for December 1991: 135.7

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		108	+⅛	108	95	10.78	10.03
Asian Dev 10¼pc 2009		103	+⅛	103	91	10.33	9.78
B'ham 11½pc 2012		108	+½	108	100½	11.33	10.69
Ireland Cap 8½pc '10		98	+⅛	99	88½	8.99	—
9pc Cap 1996		98¼	—	98¼	93	9.17	—
13pc '97-02		114	—	115	109½	11.35	—
GLC 6¾pc 1990-92		99	+⅛	99	93	6.82	—
Hydro Quebec 15pc 2011		133	+½	133	120	11.9	10.78
Int-Am Dev 12½pc 2003		118	+½	118	105	11.09	9.97
9¾pc 2015		98	+½	98	85	10.37	9.88
Leeds 13½pc 2006		119¼	—	119½	110½	11.69	10.87
Liverpool 3½pc Irred		30½	—	31	28	11.57	—
LCC 3pc '20 Aft		27½	—	27½	26	11.11	—
Manchester 11½pc 2007		106	—	106¼	97½	11.27	10.61
Met. Wtr. 3pc 'B'		55	—	55	52	5.77	9.77
N'wide Anglia 3¾pc 2021		103xd	—	106¼	102	—	5.52
4⅛pc IL 2024		109	-¼	107¼	104	—	5.17
Utd Mex States 16½pc 2008		124¼	-¼	125½	101	13.33	12.92

APPOINTMENTS

'More opportunity' in private estates



Nicholas Miller, a 42-year-old chartered surveyor, has become director of commercial developments at Grosvenor Developments, a division of Grosvenor Estate Holdings, one of the largest private estates in the country.

Miller's task is to manage the developments which are already under way and to seek new opportunities within and outside the estate's holdings. "In a recession there are some enormous opportunities ... my challenge is to find those for Grosvenor Estate," he says.

Grosvenor Estate is not immune from the property recession but it is still prepared to undertake new developments. By contrast, MEPC, Miller's former employer, is thought unlikely to get involved in any during the current slump.

Established private companies may offer more opportunities than the quoted sector at present, in Miller's view. "A public company always has to keep an eye on the shareholder issues. You cannot ignore the issues in a responsible private company, but such companies are able to take a longer view."

While a director of MEPC, Miller was involved in its Finsbury Circus, St James's Square and Chilworth developments.

■ Richard Bate has been appointed director of ICC United Kingdom, the British affiliate of the International Chamber of Commerce, the Paris-based organisation which promotes the interests of private business.

ICC United Kingdom represents more than 300 British businesses – including BP, Shell, ICI and Unilever – in working with the International Chamber to promote private sector business interests around the world.

Bate, 53, has had a career in marketing and international management and has previously been managing director of several companies, including Nicholas Laboratories, Guinness Plastics, Wyeth Laboratories and Wilkinson Sword. He joins the organisation after a period as an executive search consultant, and replaces Rodney Sutton.

■ Anne Colquhoun has become company secretary of MATTHEW CLARK in place of John Lake who has resigned.

■ Following a reorganisation, Brian Dudley becomes chairman of WACE UK while continuing as md of Wace – UK and European operations; Peter Vacher becomes chairman of Wace Print Group in the UK in place of Frans ten Bos who remains chairman of Wace Group.

■ David Abel Smith, formerly md of Benjamin Priest, is appointed group chief executive of MARLING INDUSTRIES. Paul Wiseman, group md, is leaving the company.

■ Ron Hilvert is appointed vice-president – human resources for HILTON INTERNATIONAL; he moves from the Hyatt Regency in Birmingham.

■ John O'Brien and Michael Leslie have become directors of KERRY Group on the retirement of Donal Counihan and Dan Lynch.

■ Kevin Wilson is appointed chief executive of WAGON INDUSTRIAL HOLDINGS' engineering division as well as of the automotive products division in place of Fred Thompson who has resigned.

■ Sue Godzicz is appointed financial director of WATSON-MARLOW, part of Spirax-Sarco Engineering, on the retirement of Alan Doidge. David Marchant has moved from Four Square to take up the new post of technical director.

Deriving a client service

As one of the few growth businesses left in the City, derivatives (futures and options) trading and broking seems to be spawning a host of boutiques to specialise in explaining this arcane corner of the financial world.

One of these, the 12-month-old Derivative Securities Ltd, whose corporate logo reads delta sigma lambda, has hired two research experts from a competitor in order to bolster its private client service.

Ian Rankine, 50, and Martin Price, 41, come from Anglo Pierson Options (APO), part of the ABN Amro group; APO's move towards an execution-only service is understood to have left Rankine and Price less than fully stretched.

DSL was set up by Quentin Burrows, 39, who had headed the traded options desk at NatWest stockbrokers; Oliver Gillie, 51, who came from the metals business via a spell running his own estate agency concern; and Patrick Thompson, 30, who had worked for the London Traded Options Market.

They reckon wealthy private clients are more interested in options and futures than the exchanges often give them credit for in their marketing strategies. They also think private clients are given a raw deal by big city firms; all the DSL team has to do is to show they can make money where their big competitors cannot.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		34¼ xd	-$\frac{3}{32}$	38⅝	20⅞	14,778	1.5
♥Allegheny & W		258p	—	385p	218p	137.7	6.0
Amdahl		1000pxd	-10	1818p	667p	1,118	0.5
Amer Cyanamid		34¼	-⅞	42½	25[illegible]	3,194	2.3
Amer Express		12⅛ xd	-$\frac{5}{16}$	17⅞	9[illegible]	6,709	4.4
Amer T & T		22⅜ xd	-¼	24½	15¼	29,225	3.1
Ameritech		35¼	-⅜	38⅞	32½	15,438	5.1
BankAmerica		22[illegible] xd	-[illegible]	25[illegible]	12[illegible]	4,823	2.9
Bankers NY		25⅝ xd	-[illegible]	38[illegible]	20[illegible]	2,927	7.3
Bell Atlantic		29[illegible] xd	-[illegible]	30½	24[illegible]	10,016	5.3
BellSouth		27[illegible]	-[illegible]	31¼	25	13,389	5.3
♥Bethlehem Steel		9xd	-[illegible]	11¼	6[illegible]	885.0	2.4
Bowater		1331p	—	1639p	1042p	478.1	4.8
CPC		47⅝ xd	-½	54[illegible]	37[illegible]	3,599	2.5
California Engy		758p	—	936p	420p	190.0	—
Campbell Soup	h	21⅛	-½	25	14⅛	5,310	1.8
Chase Manhattan		12	-[illegible]	12⅜	5[illegible]	1,631	5.4
Chrysler		7¼ xd	-⅛	9[illegible]	5⅞	2,222	4.1
Citicorp		8xd	-⅛	10⅝	4⅝	2,748	—
Colgate-Palm		25⅞ xd	-[illegible]	27⅝	21[illegible]	3,769	2.2
Cont'l Bank		769p	-47	928p	438p	715.5	6.0
Dana		18[illegible] xd	-[illegible]	21⅝	13⅝	752.7	4.7
Data General		951p	-45	1282p	203p	282.4	—
Dial		25[illegible] xd	+¼	28[illegible]	12[illegible]	1,834	2.9
Dun & Brad.		30	-¼	31⅝	20¾	5,353	3.6
Eaton		37⅞	-¼	40	24¼	1,289	3.1
Echlin		8[illegible] xd	+[illegible]	8[illegible]	5½	492.1	4.2
FPL		19⅛ xd	+$\frac{1}{16}$	20⅛	14[illegible]	3,241	6.7
Fluor		25⅝ xd	—	30[illegible]	17[illegible]	2,155	0.8
Ford Motor		18¼ xd	-⅛	23¼	13	8,839	2.9
Gen Elect		44⅝ xd	+⅛	46[illegible]	28[illegible]	38,871	2.6
♥General Host		451p	—	586p	270p	—	4.2
Gillette		28⅛ xd	+$\frac{5}{16}$	46¾	20⅞	6,149	1.2
Hasbro		22⅝	-⅝	24	7[illegible]	1,297	0.6
Honeywell		40xd	+½	49¼	21¾	2,789	2.2
Houston Inds		23⅛	-¼	24¼	17⅞	2,951	6.8
IBM		52[illegible] xd	-[illegible]	72[illegible]	46	30,287	4.9
Ingersoll-Rand		32[illegible] xd	-[illegible]	33[illegible]	18[illegible]	1,881	2.2
Lockheed		24[illegible] xd	-[illegible]	28⅛	16⅝	1,547	4.4

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	118.6	118.6	125.8	+0.3	9.14
High Inc Equity	6	124.2	127.4d	135.5	+1.1	6.27
Worldwide Bond	6	221.6	221.6d	235.3	-0.2	6.37
Capital Growth						
American Growth	6	207.6	207.6	222.0	-2.7	1.00
Asian Pacific	6	126.8	129.5	137.7	-0.1	1.14
Assets & Earnings	6	181.8	181.8d	194.4	+0.7	3.09
Capital Reserve Acc	0	112.0	112.0	112.0	+0.1	6.77
Capital Reserve Inc	0	88.54	88.54	88.56	+0.08	6.78
Commdty & Energy	6	72.10	72.10	77.11	-0.20	1.76
1992 Enterprise	6	65.40	65.40	69.94	-0.38	2.95
Euro Capital Acc	6	87.83	87.83	93.93	+0.43	1.11
Euro Capital Inc	6	83.92	83.92	89.75	+0.42	1.11
General	6	167.9	167.9	179.5	+1.0	2.79
Japan	6	88.13	88.13xd	94.25	-0.28	-
Mastertrust	6	89.01	89.01	95.19	+0.34	2.69
UK Growth Acc	6	165.3	172.8	183.8	+0.4	2.17
UK Growth Dist	6	105.1	109.7xd	116.7	+0.2	2.21
US Emerging Cos	6	83.52	85.13	90.56	-1.90	-
Income & Growth	6	291.7	291.7d	311.9	+3.1	4.49
Ethical	6	52.62	53.98	57.42	+0.10	2.72
International	6	61.70	62.57	66.56	-0.07	1.32
Dividend & Growth	6	46.08	47.25	50.26	+0.56	5.97
Global Gwth & Sec	6	52.83	53.13	56.52	+0.11	3.08
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1076.0	1076.0	1134.0		-
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	76.65	77.95	83.36	+0.41	3.00
Do (Accum)	6	82.09	83.47	89.28	+0.43	3.00
Service Cos	6	64.03	64.03	68.49	+0.01	2.26
Do (Accum)	6	68.01	68.01	72.73	+0.02	2.26
Income Growth	6	39.70	39.70xd	42.46	+0.06	5.70
Do (Accum)	6	57.17	57.17	61.14	+0.08	5.70
Higher Yield	6	31.24	31.24xd	33.41	-0.03	6.90
Do (Accum)	6	40.74	40.74	43.57	-0.04	6.90
American Gth Inc	6	38.26	38.26	40.92	-0.06	0.63
Do (Accum)	6	38.98	38.98	41.69	-0.06	0.63
European Growth	6	25.12	25.12	26.87	-	1.74
Do (Accum)	6	25.83	25.83	27.62	......	1.74
Global Bond Inc	6	23.16	23.23	24.84	-0.07	6.48
Do (Accum)	6	27.48	27.56	29.48	-0.09	6.48
Managed P'folio Inc	6	26.01	26.09	27.91	-	0.22
(Do Accum)	6	26.01	26.09	27.91	...	0.22
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262						
Mngd P'folio Inc	6	79.09	79.09	84.23	+0.16	2.47
Mngd P'folio Acc	6	145.9	145.9	155.4	+0.20	-
UK General	6	117.5	117.5	125.1	+1.00	4.05
Conv & General	6	16.25	16.25xd	17.31	+0.16	11.00
European Inc	6	20.24	20.24	21.79	+0.02	0.52
European Acc	6	20.78	20.78	22.38	+0.02	-
Financial	6	93.11	93.11	99.16	-0.07	4.77
Foundation	6	60.37	61.85	65.87	+0.34	4.26
German	6	38.63	38.63	38.19	+0.14	0.11
Growth Inc (5-1)	5	23.52	23.56	25.09	+0.24	3.69
Growth Acc (5-1)	5	26.39	26.43	28.15	+0.27	-
High Income	6	56.50	57.48	61.50	+0.44	7.11
Income	6	91.34	91.34	97.55	+0.29	5.56
Intl Income	6	76.99	76.99xd	81.99	-0.21	5.08
Intl Growth §	6	29.46	29.46	31.37	-0.02	0.25
Monthly Income	6	54.32	56.17	59.82	+0.29	5.63
North American	6	83.86	84.54xd	90.04	-0.81	0.24
Orient §	6	86.80	86.80	93.38	-0.37	-
Recovery	6	28.86	28.86	30.74	-0.08	3.84
Smaller Cos Acc	6	188.1	188.1	200.3	+0.30	-
Smaller Cos Inc	6	111.8	111.8	119.1	+0.20	1.93

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Bond	5	54.66	54.66	57.39	+0.06	7.05
Special Sits Gwth	5	15.80	16.30	17.33	+0.09	3.75
North American Gwth	5	71.33	71.51	76.07	-0.31	0.98
European Growth §	6	49.74	50.00	53.19	+0.04	1.46
NW Investment Managers Ltd (0659)F						
46 Court St, Haddington, E. Lothian 062 082 5867						
NW Joint Investors	0	1076.1	1076.1	1104.1	...	4.38
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maldon General	0	103.5	103.5	106.6	...	5.46

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Jap Smaller Cos	5¼	278.20	278.20	296.70	-1.70	0.00
Sing & Malaysian	5¼	99.03	102.10	109.40	+2.40	0.00
(Accum Units)	5¼	103.00	106.10	113.70	+2.50	0.00
Smaller Co's ♥	5¼	23.07	23.07xd	24.80	+0.04	2.62
(Accum Units) ♥	5¼	26.17	26.17	28.13	+0.04	2.62
Special Sits	5¼	26.09	26.09	28.05	+0.09	0.93
(Accum Units)	5¼	29.29	29.29	31.49	+0.10	0.93
Tokyo	5¼	59.96	59.96	63.95	-0.11	0.00
(Accum Units)	5¼	60.57	60.57	64.60	-0.10	0.00
UK Equity ♥	5¼	136.90	136.90xd	146.00	+1.10	4.18
(Accum Units) ♥	5¼	247.80	247.80	264.30	+1.90	4.18
US Smaller Cos ♥	5¼	70.48	70.48	75.37	-1.75	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Cash	1	50.30	50.30	50.80	+0.01	10.6
Eurofin Balanced	5½	47.43	49.71	53.02	+0.15	9.26
Global	5¼	47.45	48.49	51.58	+0.24	4.93
European Growth	5½	47.97	48.14	51.37	-0.01	3.00
Income	5½	45.89	46.45	49.58	+0.42	8.00
Intl Growth	5½	65.89	65.97	70.37	+0.15	3.13
Managed	5½	58.66	59.02	62.95	+0.46	4.41
UK Growth	5½	50.19	50.83	54.22	+0.51	5.77

Standard Chartered Equitor (1200)F
49 Old Broad Street, EC2M 1QS 071-980 4521

Mngd Exempt Acc	3	194.7	197.0xd	205.2	+0.5	3.06
Do Income	3	182.2	184.4xd	192.0	+0.3	3.06

Standard Life Tst Mgmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Acc	5½	38.96	38.96	38.21	.....	2.44
UK Equity Gth Acc	5½	48.83	49.77	52.89	+0.2	2.17
UK Eq High Inc Inc	5½	28.95	29.65	31.51	-0.1	6.56
UK Eq High Inc Acc	5½	32.56	33.34	35.43	-0.1	6.56
UK Equity Gen Acc	5½	45.97	46.71	49.63	+0.1	3.44
UK Equity Gen Inc	5½	35.97	36.54	38.83	+0.1	3.44
UK Large Gen Acc F	7½	302.2	306.1	332.9	+0.4	4.72
UK Large Gen Inc F	7½	243.3	246.5	267.5	+0.3	4.72
British Fxd Int Inc	5½	28.20	28.27	29.90	.....	7.59
Glbl Lrg Cos Acc F	7½	212.5	216.3	234.7	-0.3	2.07
Nth American Acc	5½	36.42	36.60	38.89	-0.5	0.59
Far East Acc	5½	39.58	40.60	43.14	+0.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Jan 16	495.45	499.11	.....	2.83
Gross Jan 16	170.31	171.68xd	.....	11.36
High Yield Jan 16	280.25	282.47	.....	7.79

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd				
Pensions Mngd	52.9	54.01	-0.03	4.19
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1169.0	1261.0xd	.....	-
Mngd Fees (Acc)	66.9	70.7	.....	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2600.0	.....	7.00
Jac 6th Prp Jul 31	£1375.0	1460.0	.....	6.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Jan 15	£3790.9	3956.3xd	.....	4.01
European Jan 15	£566.2	572.5	.....	1.98
American Jan 15	£368.1	371.6	.....	2.19
Japan Jan 15	£475.1	480.6	.....	1.95
Pacific Jan 15	£139.6	145.5	.....	1.93
W Midlands Sep 30	£136.50	152.30	.....	2.48

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL

	Bid Price
Life Funds	
Fixed Int. Dep. Acc	328.4
Equity Acc	1032.0
Property Acc	489.8
Far East Acc	197.9
European Acc	26.5
Managed Cap	422.2
Managed Acc	808.5
O'seas Earnings Acc	723.6
Gilt Edged Acc	379.1
American Equity Acc	363.7
American Man.Acc	249.7
American Prop Acc	121.4
High Income Acc	24.0
Ser 4	
Fixed Int Dep Acc	27.3
Equity Acc	27.0
Property Acc	23.4
Far East Acc	22.8
European Acc	22.3
Managed Acc	27.0
Overseas Acc	28.0
Gilt Acc	29.4
Am Equity Acc	27.8
Am Managed Acc	26.9
Am Property Acc	20.9
High Income Acc	23.9

Guardian Royal Exchange
Royal Exchange, EC3 071-283 7101

	Bid Price	Offer Price	+ or -	Yield Gross
Bonds	656.6	684.0	.....	-
	133.5	140.5	.....	-
	124.9	131.5	.....	-
Managed	156.0	164.2	+0.7	-
Equity	159.4	167.8	+0.7	-
	108.4	114.1	.....	-
	107.3	113.0	.....	-
Managed	93.0	97.9	+0.6	-
Equity	89.5	94.2	+0.7	1.69

Legal & General—Contd.
Unit Pensions
Kingswood, Surrey KT20 6TH 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex. Bldg. Soc. Lnkd	161.5	170.1	.....	-
Do. Accum	206.0	216.9	.....	-
Exempt Cash Init	286.4	301.5	.....	-
Do. Accum	460.6	484.9	+0.2	-
Exempt Eqty Init	857.4	902.6	+2.9	-
Do. Accum	1378.6	1451.2	+4.6	-
Exempt Euro Init	157.6	165.9	+0.4	-
Do. Accum	194.9	205.2	+0.6	-
Exempt Far East'n Init	202.5	213.2	-0.5	-

Manulife Group
St George's Way, Stevenage Enquiries 0438 356101

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ser 1 & 2	528.9	556.7	.....	-
Managed Ser 3	96.7	101.8	-0.3	-
Property Ser 1 & 2	453.7	477.6	.....	-
Property Ser 3	86.5	91.0	.....	-
Equity Ser 1 & 2	645.8	679.8	.....	-
Equity Ser 3	99.2	104.4	+0.1	-
Gilt Edged Ser 1 & 2	477.4	502.5	.....	-
Gilt Edged Ser 3	115.9	122.0	+0.2	-
Deposit Ser 1 & 2	290.9	306.2	.....	-
Deposit Ser 3	117.0	123.2	.....	-
Investment Ser 1	274.2	287.9	.....	-

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co. Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

هكذا في الأصل

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
"WINTERTHUR" Fund Mngmt Co (Lux) SA				
W Global Intl Bond	Ecu112.43		..	-
W Global Intl Equity	Ecu100.93		..	-
W Global Intl Reserve	SFr212.57		.....	-
World Bond Fund–SICAV (a)				
World Bond Fund	$25.13	26.40	+0.02	0.76
Gala Currency Funds				
Gala Hedge I	$103.12	103.88	..	-
Gala Hedge II	$203.09	207.68	..	-
Gala Hedge III	$35.00	35.91	....	-
North Star Fund Managers–Contd.				
Second High Perform Fd	DKr250.0	251.0		-
Mixed Intl Fd	DM168.0	169.0		-
Invest Fd (Cayman)	DKr149.0	150.0		-
High Perf Fd (Cayman)	DKr170.0	171.0		-
Bond Fd (Cayman)	DKr142.0	143.0		-
Mixed Fd (Cayman)	DM136.0	137.0		-
High Security Fd	DKr177.0	178.0		-
High Income Fd	£12.2	12.3		-
Dollar Growth Fd	$1.45	1.46		-
Dollar Income Fd	$1.22	1.23		-
The Vietnam Fund Limited				
NAV Dec 5		$10.00	..	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$14.23	15.02	+0.17	0.88
Japanese Warrants	$4.98	5.28	-0.16	-
Asian Warrants	$12.03	12.74	+0.03	-
European Warrants	$4.73	5.02	-0.19	-
Managed	HK$10.66	11.28	..	-
Private Capital Tst		$20.62	-0.06	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$13.69	14.38	+0.12	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$11.81	+0.03	-
Wells Fargo B Shs (z)		$13.64	+0.45	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0861	..	-
Xiphias Int ECU		Ecu1.0269	....	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. o Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar focus in nervous trading

The dollar remained the focus of a nervous day in the foreign exchange markets yesterday, falling sharply against the yen late in London on rumours that the US and Japanese authorities would intervene to support the Japanese currency, *writes Simon London.*

The US currency traded within very tight ranges overnight in the Far East, barely moving from New York closing levels. The dollar ended the Tokyo day at Y123.34 and DM1.5885, from Y123.43 and DM1.5887 in New York.

In European trading the cautious tone continued through the morning, although the dollar gradually appreciated against both the yen and the D-Mark during the session.

The US currency hit a high of Y123.85 and DM1.5950 before falling back.

In late afternoon the US unit subjected to a spell of extreme volatility following reports that the US Federal Reserve was checking market rates with dealers at commercial banks.

Rate-checking can be a precursor of intervention and dealers speculated that the US authorities were about to sell dollars for yen on behalf of the Bank of Japan – a repeat of intervention which knocked the US currency down from Y127.45 to Y124.45 late on Friday.

Fears of renewed intervention sent the dollar spinning down to Y122.55 before it stabilised.

Dealers said that there was no sign of intervention by the close in London and the dollar recovered some poise. However, *analysts noted that the* US authorities might wait European markets have closed before operating in the market. Intervention is likely to have more impact when trading volume is low.

The dollar closed in London at DM1.5830 from DM1.5970; Y123.10 from Y123.65; £1.8065 from £1.7910; and FFr5.3975 from FFr5.4450.

Today, US housing construction figures for December, the only significant US indicator due for release this week, will be watched for signs of an upturn in economic activity.

Within the European exchange rate mechanism, the D-Mark continued to soften. Analysts said that concerns over inflationary wage demands by German trade unions continued to undermine the D-Mark.

The Spanish peseta, already the strongest currency in the system, appreciated in line *with other currencies. It* reached a high of Pta63.12, from Pta63.21 at the opening, raising sterling's floor within the system to DM2.8587.

However, by the close the Spanish currency had fallen back to Pta63.21, relieving some of the pressure on sterling, which closed comfortably above its ERM floor at DM2.86, unchanged from Monday.

Today, the Bank of Spain is due to operate in the money market through its regular repurchase agreements. Traders will be watching the rate at which the authorities supply liquidity to the money markets for signs of any change in monetary conditions.

£ IN NEW YORK

Jan 21	Latest	Previous Close
£ Spot	1.8050-1.8060	1.7985-1.7995
1 month	1.02-1.01pm	1.06-1.04pm
3 months	2.83-2.80pm	2.79-2.77pm
12 months	9.65-9.55pm	9.45-9.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Floating rate. Iran Official rate for 20.1.92- £119.00 $67.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.898	-3.54	4.05	61
Belgian Franc	42.4032	42.0301	-0.88	3.20	40
Dutch Guilder	2.31643	2.29880	-0.76	3.08	34
D-Mark	2.05586	2.04131	-0.71	3.02	41
Irish Punt	0.767417	0.766393	-0.13	2.43	3
Italian Lira	1538.24	1536.60	-0.11	2.40	2
Danish Krone	7.84195	7.91416	0.92	1.36	-45
French Franc	6.89509	6.95932	0.93	1.35	-34
Sterling	0.696904	0.712876	2.29	0.00	-45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.31-5.26cpm. 12 Month 9.55-9.45pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5¼-5⅛ per cent; three years 6-5⅞ per cent; four years 6⅛-6⅛ per cent; five years 6⅝-6½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.21	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.807	2.860	222.5	9.750	2.535	3.223	2154.	2.082	59.05	1.400
$	0.553	1	1.583	123.1	5.396	1.403	1.784	1192	1.152	32.68	0.775
DM	0.350	0.632	1	77.80	3.409	0.886	1.127	753.1	0.728	20.65	0.490
YEN	4.494	8.121	12.85	1000.	43.82	11.39	14.49	9681	9.357	265.4	6.292
F Fr.	1.026	1.853	2.933	228.2	10.	2.600	3.306	2209	2.135	60.56	1.436
S Fr.	0.394	0.713	1.128	87.77	3.846	1	1.271	849.7	0.821	23.29	0.552
N Fl.	0.310	0.561	0.887	69.04	3.025	0.787	1	668.3	0.646	18.32	0.434
Lira	0.464	0.839	1.328	103.3	4.526	1.177	1.496	1000.	0.967	27.41	0.650
C$	0.480	0.868	1.374	106.9	4.683	1.218	1.548	1035	1	28.36	0.672
B Fr.	1.693	3.060	4.843	376.8	16.51	4.293	5.458	3648	3.526	100.	2.371
Ecu	0.714	1.291	2.043	158.9	6.964	1.811	2.302	1539	1.487	42.18	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	3.12	-	-	0.03	-	-
107	2.19	-	-	0.08	-	-
108	1.35	2.46	-	0.22	0.41	-
109	0.68	-	-	0.51	-	-
110	0.25	1.22	-	-	-	-
111	0.07	0.77	-	-	-	-
112	0.03	0.47	-	-	-	-
113	-	-	-	-	-	-
Open Int	125,251	38,995	1,850	102,714	26,898	250

Estimated volume 22,344 Total Open Interest 295,958

FT-SE 100 INDEX

	Close	High	Low	Prev.
Mar	1155.0			1139.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8065	1.7963	1.7783	1.7536	1.7115

MONEY MARKETS

UK rates stable

UK money rates were stable yesterday with the market facing a smaller liquidity shortage than in recent days and sterling steady on the foreign exchange markets, *writes Simon London.*

The Bank of England forecast a shortage of £650m in early morning, later revised up to £750m. The main factor was maturing treasury bills and earlier assistance totalling just over £500m.

With overnight money rates retaining the softer tone seen on Monday, market participants did not rush for liquidity and the Bank of England refrained entirely from morning assistance.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

In the afternoon, the Bank bought £138m band 1 bank bills and band 2 bank bills, both at 10⅜ per cent. Late assistance totalled £435m, bringing the total injection of liquidity for the day to £573.

This was sufficient keep short-rates near Monday's closing levels. Overnight unsecured funds traded at around 10¾ - ⅝ per cent against a close on Monday at 10¾ - ½ per cent.

Longer cash rates were also steady. Three-month interbank funds traded at 10⅝ - 11/16 per cent, unchanged from Monday. One-month interbank money traded at 10 11/16 - ⅝ per cent, from 10 11/16 - ⅞ per cent.

The March short sterling contract on the London International Financial Futures Exchange traded at around 89.75 for most of the day and closed at 89.71. This implies base lending rates of 10.39 per cent from a current rate of 10.5 per cent.

In Frankfurt, call money continued to trade around 9.40/50 per cent, unchanged from the levels seen on Monday. Today the Bundesbank is expected to set repurchase agreements to replace an expiring DM13.3bn pact. Funds are being drained from the market at 9.55 per cent and the Bundesbank is expected to inject new funds at 9.4 per cent, the rate set at last week's repurchase operations.

The Bank of Japan did not operate in the money markets yesterday, despite a Y210bn surplus of liquidity and a slide in three-month certificate of deposit rates.

In the past the authorities have been keen to stop short rates from falling. However, the weakness of the stock market this week may be an overriding concern.

Call money traded at around the 5⅜ per cent levels seen on Monday. Three-month CDs traded at 5.20 per cent from 5.25 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.21) 3 months US dollars		6 months US Dollars	
bid 4 1/16	offer 4 3/16	bid 4 1/16	offer 4 3/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
		One month	4.22	Three year	5.32
		Two month	3.76	Four year	-
Prime rate	6½	Three month	3.84	Five year	6.27
Broker loan rate	6	Six month	3.99	Seven year	6.73
Fed.funds	4 1/16	One year	4.08	10-year	7.03
Fed.funds at intervention	-	Two year	4.95	30-year	7.58

Jan.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.40-9.50	9.40-9.50	9.40-9.50	9.40-9.50	9.30-9.40	9.75
Paris	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	9⅝-9¾	9.60
Zurich	6¾-7⅛	7⅝-7¾	-	7⅝-7¾	-	-
Amsterdam	9.25-9.38	9.37-9.45	-	9.35-9.43	-	-
Tokyo	5¼-5⅜	5 13/16-5 15/16	-	5⅜-5⅞	-	-
Milan	11⅞-12⅛	12-12⅛	-	11⅞-12	-	-
Brussels	9.44-9.56	9¾-9⅞	-	9¾-9⅞	-	-
Dublin	10⅝-10 13/16	10⅝-10 13/16	10½-10⅝	10⅝-10½	10¼-10⅜	-

LONDON MONEY RATES

Jan 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	10⅞	10⅞	10⅝	10⅞	10 9/16
Interbank Bid	10¾	10⅝	10⅝	10½	10⅜	10⅜
Sterling CDs	-	-	10 11/16	10⅜	10⅜	10¼
Local Authority Deps.	10¾	10¾	10 11/16	10⅝	10⅝	10⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	12	10½	-	-	-	-
Company Deposits	-	-	10 13/16	10⅞	10⅝	10⅜
Finance House Deposits	-	-	10⅝	10 11/16	10⅛	10¼
Treasury Bills (Buy)	-	-	10⅜	9 13/16	9¾	-
Bank Bills (Buy)	-	-	10⅜	10⅛	9 15/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.10	4.10	4.10	4.40
SDR Linked Dep. Offer	-	-	6 13/16	6⅝	6⅝	6⅞
SDR Linked Dep. Bid	-	-	6⅝	6½	6½	6¾
ECU Linked Dep. Offer	-	-	10⅝	10 5/16	10 5/16	9 13/16
ECU Linked Dep. Bid	-	-	10¼	10⅛	10 3/16	9 11/16

Treasury Bills (sell): one-month 10⅛ per cent; three months 9 15/16 per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 10⅛ per cent; Treasury Bills; Average tender rate of discount 9.9428 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1991. Agreed rates for period Jan.25, 1991 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30, 1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Beachmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

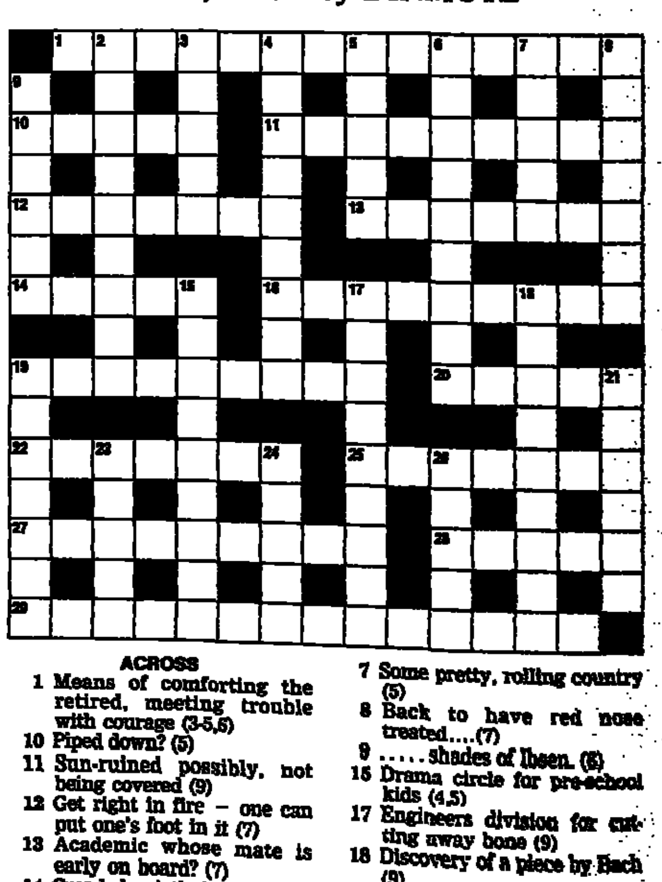
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,753 Set by DINMUTZ



ACROSS

1 Means of comforting the retired, meeting trouble with courage (3-5,6)
10 Piped down? (5)
11 Sun-ruined possibly, not being covered (9)
12 Get right in fire – one can put one's foot in it (7)
13 Academic whose mate is early on board? (7)
14 Crawled quietly in marsh (5)
16 For a semi-precious stone, Uri's quote is unreasonable (9)
19 Treasury bound to provide alternative ideas? (9)
20 Roof-undersides have points to catch hail (5)
22 Galileo endlessly left in a mess, unlicensed (7)
25 May one in Greece? Never! (7)
27 Dried petal-mixture for poor Turpin, endlessly unfit (3-6)
28 Century not recorded when he led India (5)
29 Lack of fulfilment in a girl's engagement? (14)

DOWN

2 Determined firm? (9)
3 Waterproof boot in a Ford, say? (5)
4 Kneller Hall swan? (9)
5 Artist in first of season's monsoons (5)
6 Has to change love custom – a feature of Kent (4-5)
7 Some pretty, rolling country (5)
8 Back to have red nose treated....(7)
9 .....shades of Ibsen. (6)
15 Drama circle for pre-school kids (4,5)
17 Engineers division for cutting away bone (9)
18 Discovery of a piece by Bach (9)
19 Stumbled, being cut after last of port (7)
21 Is she in order taking pulse? (6)
23 It comes up on the pools, inducing a blissful state (5)
24 Broad and slow in particular government (5)
26 Theatre stand-in? (5)

Solution to Puzzle No.7,752

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices January 21

12200 Can Util A	$21¼	21⅛	21¼	
1900 Can Util B	u$21¼	21¼	21¼	+⅛
100 Canamax	34	d34	34	
7100 Cantor	$27½	27	27	−¼
2500 CnPcForest	$26½	26⅜	26⅜	+⅛
7400 Cara Op	$8¼	6⅞	6⅞	−¼
100 Cascades	$5⅞	5⅞	6	
300 Celanese	$43⅛	43⅛	43⅛	
200 Cntrl Cap	40	40	40	
19500 Cinepx Ode	310	300	310	
1000 Cntrl Fd A	460	460	470	
20800 Cominco	$22½	22	22⅛	−⅛
3700 Invest Grp I	$34⅝	34⅜	24½	−½
1000 Ivaco A	345	d345	345	
6300 Jannock	u$17¼	17	17⅛	
600 KerrAddis	$15⅛	15⅛	15⅛	
33000 Labatt	u$27¼	27⅛	27⅛	+½
210000 Lac Minls	$9⅛	9⅛	9⅛	−⅛
2300 Lafarge	$14⅛	14⅛	14⅛	−⅛
9200 Laidlaw A	$12⅝	12½	12½	+⅛
427900 Laidlaw B	$12⅛	12⅜	12½	
1200 Laurent Bk	u$22¼	22½	22¼	
289800 Ranger Oil	$8½	8¼	8⅜	
300 Rayrock	$5⅛	5⅛	5⅛	−⅛
200 Reed Sten	$24½	24½	24⅜	
900 Reitman S I	u$18	17¾	18	+¾
25200 Ren'sance	$12⅞	d12⅝	12⅝	−⅛
29300 Repap Ent	56	5⅞	6	−⅛
12400 Rio Algom	$17½	17¼	17¼	−⅛
205700 RogersComB	514	13⅞	13⅞	−⅛
300 Rothmans	u$83	83	83	
332800 RoyalBkCan I	$28	27⅝	27¾	−⅛
413300 Rvl Oak Mn	u230	215	215	

MONTREAL

3:00 pm prices January 21

7900 DominTxt A	$8½	8⅛	8⅛	−⅛
2400 MacleanHnt	$12⅞	12¾	12⅞	+⅛
103400 NatBk Can	$12⅝	12⅝	12⅝	−⅛
5000 Provigo	$9	d8½	8⅞	−⅛
32100 Quebecor A	u$26½	25⅞	25⅞	−⅛
6000 Teleglobe	u$11⅞	11½	11⅝	+⅛
3800 Videotron	u$15½	15⅛	15⅜	+⅛

Total Sales 11,449,700 shares

INDICES

NEW YORK

DOW JONES	Jan 20	Jan 17	Jan 16	Jan 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3254.03	3264.98	3249.55	3258.50	3264.98 (17/1)	3172.41 (2/1)	3264.98 (17/1/92)	41.22 (2/7/32)
Home Bonds	99.49	99.61	99.37	99.41	99.61 (17/1)	98.96 (2/1)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1411.43	1421.90	1445.81	1431.43	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.26	211.82	211.94	214.07	225.59 (3/1)	211.82 (17/1)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3283.32 (3297.63) Low 3230.99 (3224.28)

STANDARD AND POOR'S

	Jan 20	Jan 17	Jan 16	Jan 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.36	418.86	418.21	420.77	420.77 (15/1)	414.34 (13/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	495.14	498.15	496.70	499.27	499.27 (15/1)	491.69 (13/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.29	34.68	34.89	35.14	35.14 (15/1)	34.03 (13/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.67	230.96	230.55	231.85	231.85 (15/1)	228.47 (13/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	415.33	415.32	413.77	414.30	415.33 (20/1)	395.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	619.38	626.85	627.34	630.82	630.82 (15/1)	586.45 (2/1)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 17	Jan 10	Jan 3	year ago (approx.)
Dow Industrial Div. Yield	2.83	2.89	2.90	3.90

	Jan 15	Jan 8	Dec 31	year ago (approx.)
S & P Industrial div. yield	2.52	2.54	2.56	3.31
S & P Indl. P/E ratio	25.76	25.51	25.35	15.92

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Glaxo	3,707,300	31½	+ ½
Cypress Se	3,287,500	14⅛	- 3⅜
Blockbuster	1,881,700	13⅜	- ⅛
West Elec	1,871,300	18½	- ⅛
RJR Nabisco	1,856,200	11	...
ADV Micro	1,838,200	19⅞	+ ⅛
Gen Elec	1,785,000	80½	+ 1
Wal-Mart	1,741,900	55⅞	- 1¼
Citicorp	1,626,500	14⅝	...
Home Depot	1,602,500	64⅞	- 1¼

TRADING ACTIVITY

† Volume (Millions)	Jan 20	Jan 17	Jan 16
New York SE	180.870	284.560	330.891
Amex	17.343	25.870	25.531
NASDAQ	209.691	282.488	(u)
NYSE			
Issues Traded	2,193	2,196	2,224
Rises	749	918	925
Falls	941	816	894
Unchanged	503	462	405
New Highs	90	161	210
New Lows	4	6	3

CANADA

TORONTO	Jan 20	Jan 17	Jan 16	Jan 15	1992 HIGH	1992 LOW
Metals & Minerals	3200.40	3235.89	3238.87	3131.15	3238.87 (16/1)	2936.22 (2/1)
Composite	3655.67	3658.29	3666.0	3656.70	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1930.23	1931.97	1937.59	1934.10	1937.59 (16/1)	1856.55 (2/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 21	Jan 20	Jan 17	Jan 16	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1646.9	1667.6	1673.5	1673.5	1675.6 (15/1)	1646.9 (21/1)
All Mining (1/1/80)	697.7	703.5	702.8	697.0	703.5 (20/1)	660.3 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	405.04	402.21	405.72	403.72	437.47 (15/1)	372.24 (2/1)
BELGIUM						
BEL20 (1/1/91)	1181.69	1161.81	1156.50	1148.92	1181.69 (21/1)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	360.83	362.85	361.86	362.95	365.29 (15/1)	354.37 (2/1)
FINLAND						
HEX General (28/12/90)	869.4	881.1	885.1	894.5	894.5 (16/1)	779.0 (2/1)
FRANCE						
CAC General (31/12/82)	504.35	502.37	500.81	503.01	504.35 (21/1)	475.53 (2/1)
CAC 40 (31/12/87)	1867.91	1866.85	1859.95	1860.19	1873.63 (15/1)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	687.20	677.06	678.64	676.01	687.20 (21/1)	643.26 (8/1)
Commerzbank (1/12/53)	1943.5	1913.0	1918.1	1907.4	1943.5 (21/1)	1813.8 (8/1)
DAX (30/12/87)	1685.29	1677.17	1678.99	1666.34	1685.29 (21/1)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4522.21	4510.47	4454.89	4412.14	4522.21 (21/1)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1463.75	1462.37	1469.57	1446.68	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	539.96	546.25	548.11	551.03	551.03 (16/1)	507.43 (2/1)
JAPAN						
Nikkei (16/5/49)	20858.30	20913.82	21321.37	21612.19	23801.18 (6/1)	20858.30 (21/1)
Tokyo SE (Topix) (4/1/68)	1569.43	1574.91	1600.26	1618.38	1763.43 (6/1)	1569.43 (21/1)
2nd Section (4/1/68)	2292.32	2312.32	2339.83	2360.54	2459.85 (6/1)	2292.32 (21/1)
MALAYSIA						
KLSE Composite (4/4/86)	570.57	572.23	569.65	569.23	572.23 (20/1)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	289.1	287.2	287.1	285.9	289.1 (21/1)	274.0 (8/1)
CBS All Shr (End 1983)	203.0	201.7	201.6	200.8	203.0 (21/1)	192.4 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	729.92	741.50	748.03	730.12	748.03 (17/1)	678.99 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1301.00	1303.00	1303.30	1276.79	1303.30 (17/1)	1172.78 (2/1)
SINGAPORE						
SES All-Singapore (2/4/75)	416.99	415.66	416.49	416.05	416.99 (21/1)	401.19 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1327.0	1312.0	1325.0	1276.0	1327.0 (21/1)	1119.0 (2/1)
JSE Industrial (28/9/78)	4512.0	4531.0	4512.0	4486.0	4535.0 (15/1)	4169.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	638.00	633.87	616.72	610.19	650.10 (6/1)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	252.62	252.64	253.92	256.68	258.50 (15/1)	238.93 (2/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	978.2	989.2	982.2	980.4	989.2 (20/1)	913.79 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	773.0	769.9	769.7	775.0	779.8 (15/1)	748.5 (8/1)
SBC General (1/4/87)	627.2	624.5	625.9	626.0	627.4 (15/1)	601.1 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	5135.35	5102.64	5045.94	5022.96	5135.35 (21/1)	4692.17 (6/1)
THAILAND						
Bangkok SET (30/4/75)	776.01	779.82	770.83	758.33	779.82 (20/1)	711.81 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70) ($)	524.9*	525.3	521.9	521.5	542.1 (7/1)	520.1 (13/1)

** Saturday January 18: Taiwan Weighted Price: 4964.22; Korea Comp Ex. 621.21.
‡ Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 21 January 1992

	Stocks Traded	Closing Prices	Change on day
Hokkoku Bank	6.5	855	+5
Toyo Ink	5.1	774	-45
Mitsui OSK	4.5	483	+1
Toshiba	3.9	640	+18
Hitachi	3.6	920	+16
Mitsubishi Heavy	3.1	640	-14
Sanki Eng.	3.1	1,680	+10
Nippon Steel	2.9	353	+2
Kawasaki Steel	2.8	365	0
Sanwa Bank	2.5	1,880	-60

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. ♦ Owing to problems at Telekurs, some N.American stocks are temporarily being marked ad early. ♦Owing to technical problems Malaysian prices are unavailable. Some French prices are pre-close.

3:00 pm prices January 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	12¾	AAR Corp x	0.48	3.4	15	587	u14¼	13¾	13⅞	+⅛
28	22⅝	A L Labs A	0.16	0.7	25	199	23	22¼	22¼	−⅛
68¾	58⅛	AMP Inc	1.44	2.2	26	4360	67¼	65⅝	65⅝	−2¼
75½	68⅞	AMR			20	2415	71¾	71	71⅞	−½
1⅞	1⅜	ARX			1	50	u1⅝	1⅝	1⅝	−⅛
52¾	46½	ASA	3.00	5.8	15	586	u52¾	51⅞	52⅛	−⅝
88⅞	61	Abbot Lab x	1.00	1.6	24	3845	62¼	61⅛	61⅝	−⅞
13¼	12⅛	Abitibi Pr x	0.50	3.8	17	18	13⅛	13⅛	13⅛	
11⅝	11⅛	ACM Gvt In x	1.26	11.1		157	11½	11⅜	11⅜	−⅛
10⅜	9½	ACM GvOpp	1.01	10.2		100	10	9⅞	9⅞	−⅛
9⅞	9	ACM Gvt Sp	0.17	1.8		208	u9⅞	9¾	9¾	
11⅛	10⅝	ACM Gvt Se	1.26	11.3		678	u11⅛	11	11⅛	+⅛
9⅛	8⅞	ACM Man x	0.47	5.2		109	u9⅛	9	9⅛	
12⅞	12⅜	ACM Managd	1.35	10.8		77	12¾	d12⅜	12¾	+⅛
9	7	Acme Cleve	0.40	4.4	20	353	u9¼	8¾	9⅛	+⅛
5⅛	4⅝	Acme Elect			3	13	5	5	5	+⅛
33⅛	30⅞	Acuson			20	1707	31⅛	d30⅞	31	
19⅞	18¾	Adams Exp x	0.48	2.5	0	49	19	18⅞	19	
15¼	13	Adobe12Pf	2.40	16.6		34	14½	14¼	14¼	−¼
5⅜	4½	Adobe Res			49	734	5	5	5	
46½	42¼	Ad Micro				334	u46⅝	45⅝	46⅛	+⅞
20¼	17⅞	Ad Micro P	3.00	15.2	12	21416	u20¼	19⅛	19⅞	+¼
7	5	Advest Grp	0.16	2.5	8	160	6⅝	6½	6½	
45⅞	42⅝	Aetna Ll x	2.76	6.2	8	1206	44½	44⅛	44⅞	
10⅞	6⅞	Afil A x	0.24	2.4	69	658	10¼	9⅞	9⅞	−¼
32⅞	29⅝	Aflac				482	30⅛	d29½	29½	−½
17⅜	15⅝	Ahmanson	0.88	5.2	10	1055	17⅛	16½	16¾	−¼

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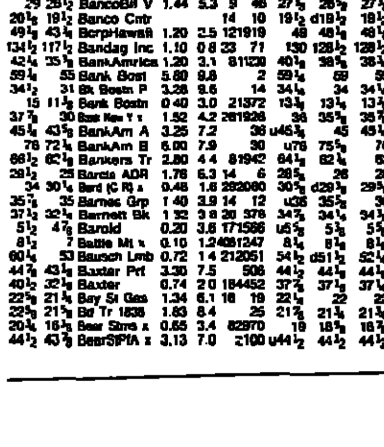


Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
71⅛	66½	Xerox	3.00	4.4		123467	69⅞	68	68¼	−1⅝
53	50½	Xerox4.125				3	52	52	52	−½
25¾	24⅞	Xtra 1.94				36	25⅛	25⅛	25⅛	
31	28½	Xtra Corp	0.72	2.4	15	126	30½	30½	30½	−⅛
27	25⅛	Yankee Egy	1.60	6.2	13	61	25⅞	25⅝	25⅞	+⅛
13/16	½	Zapata			61	265	u13/16	13/16	13/16	−1/16
8½	7¼	ZenithElec			2	197	8⅛	7⅞	8	−⅛
16⅞	16	Zenith Nat x	1.00	6.2	194	3	16⅛	16⅛	16⅛	
6⅝	6	Zenix Inc x	0.84	13.2		161	6½	6⅛	6⅜	
12	11⅛	Zero Corp	0.40	3.4	15	469	11⅞	11⅝	11⅞	+¼
38	35⅝	Zurn Ind	0.88	2.4	14	699	36	d35½	35⅞	−⅛
14⅛	13½	Zweig Fund	1.16	8.5		321	13⅞	13⅝	13⅝	−⅛
11	10⅝	Zweig Totl	0.96	8.9		380	10⅞	10¾	10¾	−⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices January 21

NASDAQ NATIONAL MARKET

3:00 pm prices January 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xoma Corp		11	3500	21	d19½	20½	−½
Yellow Fr	0.94	21	508	30⅛	29¼	29⅝	−⅛
York Rsch		66	4027	u8¾	7¼	8	−¼
ZionsUtah	1.44	9	13	44½	43½	43¾	+⅛

AMERICA

Profit-taking and stock rotation dominate trade

Wall Street

PROFIT-TAKING and switching between sectors continued to exact a toll on US stock markets yesterday. By early afternoon all the leading indices were established in negative territory, *writes Patrick Harverson in New York*.

At 1 pm the Dow Jones Industrial Average was down 24.83 at 3,229.20. The more broadly based Standard & Poor's 500 was also lower at midsession, down 3.98 at 412.38 at 1 pm. Over-the-counter stocks also succumbed to profit-taking, but due to technical problems figures for the composite index were not available. NYSE turnover was 129m shares by 1 pm.

There has been no discernible shift in underlying market sentiment in recent days, and the dominant trends of the past week – profit-taking, and rotational trading – were still in place yesterday. The two trends are linked; investors take profits in sectors which look overbought, and shift those profits into sectors which look cheap, and offer potential for bigger gains. Although the headline numbers show a decline, little money actually leaves the market.

Among individual stocks, fourth quarter figures proved the biggest influence on price movements. Wells Fargo dropped \$3 to \$64⅝ after announcing a fourth quarter loss of \$231m after making \$700m of loan loss provisions, made primarily to cover real estate losses. The two other big California-based banks, BankAmerica and Security Pacific, fell in sympathy, dropping \$1¼ to \$38⅞, and \$⅝ to \$32⅞ respectively.

United Technologies fell \$1⅛ to \$54⅛ after unveiling big fourth quarter losses, taken after a \$1.275bn restructuring charge and a \$256m charge for increases in environmental reserves, both of which were higher than expectations. United Technologies also announced plans to shed 13,900 jobs and close down or consolidate 100 facilities.

Coca-Cola Enterprises, the largest bottling company for the big soft drinks group, fell \$⅝ to \$14⅞ after the company said that it would make a \$152m restructuring charge and a \$15m addition to its insurance reserve during the fourth quarter. The charge, and revised 1991 earnings, mean that Coca-Cola Enterprises will announce a full-year loss of about 79 cents a share when it unveils its results next month. Coca-Cola shares rose \$⅝ to \$73.

Cray Research fell \$2⅝ to \$42⅝ as investors reacted badly to the news that NEC of Japan has introduced a new supercomputer which has a faster peak speed than Cray's top model.

Leading over-the-counter stocks suffered at the hands of the profit-takers. Apple fell \$2⅛ to \$61⅛, Microsoft gave up \$4⅞ at \$117⅞, Amgen slipped \$1 to \$66⅞ and Borland International dropped \$1⅞ to \$70⅛.

Canada

TORONTO stocks ran into profit-taking after their sharp upward march, and fell to session lows at midday. The TSE 300 composite index lost 26.2 to 3,629.5. Declines led advances by 264 to 216 in volume of 18.7m shares valued at C\$213.4m.

Alcan dropped C\$1⅛ to C\$24⅛ in volume of 369,000 shares. Traders said Kidder Peabody downgraded the company's shares to a hold from a buy. On Monday Alcan reported a 1991 loss of 25 cents per share.

Stockbrokers see blue skies in Hong Kong

Simon Holberton analyses the driving forces behind the colony's equity market gains

IT was hard to find people willing to talk down the Hong Kong stock market yesterday. After six consecutive days of rises in the Hang Seng index – the barometer of market sentiment – all brokers could talk about was blue skies, as far as the eye could see.

And they have a point. The Hang Seng finished yesterday 11.75 higher at 4,522.21 – another all-time peak for the index – and more than 5 per cent better than the closing level for 1991 just three weeks ago. Property developers and banks have led the way, but the whole market is on a rising trend.

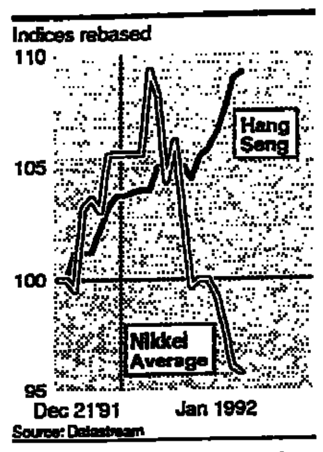
Last year, Hong Kong was second only to Mexico among top performers in the FT-Actuaries World Indices. It put on more than 44 per cent in local currency terms in 1991, against gains of 27.4 per cent for the US, 15.4 per cent for the UK and just 0.3 per cent for Japan. In 1990, too, it did well, rising by 3.9 per cent against a World Index fall of 23.6 per cent.

So what is the driving force in Hong Kong? First, it had a long way to recover, following the global stock market crash of 1987, and the aftermath of the Chinese student uprising in 1989. In general, the answer would appear to be a combination of economics and politics.

At the economic level there are three powerful forces at work: negative real interest rates in Hong Kong of the order of 8 per cent; the continuing boom in the southern Chinese economy (industrial production there grew by more than 20 per cent last year and much of it is owned by Hong Kong companies); and buoyant economic activity in the colony itself. Real GDP growth in Hong Kong is expected to top 5 per cent this year.

The last two factors underpin some fairly bullish predictions for corporate earnings growth in the colony of anywhere from 16 per cent to 20 per cent depending on whether you are an optimist or a pessimist.

With the market currently trading on an historic price/earnings ratio of around 12.5, 20 per cent growth in earnings puts it at a prospective p/e of just over 10 and, at that level, undervalued.



Source: Datastream

The cost of money in the colony is also cheap and likely to get cheaper in the short term, as the money markets follow US interest rates lower. In Hong Kong cheap money has only two places to go: the property market or the stock market. But, with the government and banks ganging up against property developers through tighter lending controls on home buyers (a prospective purchaser now has to stump up 30 per cent of the valuation of the property to obtain a mortgage) the stock market has been the main beneficiary.

The main political influence upon the market was last week's settlement between the US and China over America's "Special 301" claim against the Chinese for the infringement of intellectual property rights.

Hong Kong had a whiff of the deal in the air all last week – the market improved 62 points before it became public on Friday – and once it happened, share prices rose sharply.

Foreign fund managers, who had preferred to wait last week, piled into the market on Monday and continued their buying spree yesterday when the market weakened; some local fund managers, heard to mumble "toppish" after the market broke through 2,500 on Monday, are sitting back counting profits.

Looking further ahead, US-China trade rows still have the potential to upset sentiment. President George Bush has to approve China's most favoured nation status by June and there are further 301 disputes in the pipeline over US access to China's market.

Inflation in southern China is also seen as a potential problem for Hong Kong.

If inflation were to get out of control in the south, as it did in 1989, the Beijing authorities – who favour the sledgehammer approach to economic fine tuning – will seek to dampen economic expansion. That would hurt growth prospects for the colony.

So, where will the equity market go from here? "We are entering volatile times," says Mr Richard Witts, managing director of United Mok Ying Kie. "But the market has got a head of steam up and is still trying to go higher."

ASIA PACIFIC

Nikkei falls for the fourth consecutive day

Tokyo

SHARE prices fell on light selling, and the Nikkei average closed lower for the fourth consecutive trading day, *writes Emiko Terazono in Tokyo*.

The Nikkei, which closed below 21,000 for the first time in 15 months on Monday, lost a further 55.52 to 20,858.30. The index rallied during the morning session, setting a day's high of 21,241.31, but later retreated to the day's low of 20,638.04 in the afternoon.

Volume remained thin, totalling 230m shares, as institutional investors stayed on the sidelines. Declines led advances by 607 to 358, with 178 issues unchanged. An estimated 211 stocks fell to their lowest levels since the beginning of 1991. The Topix index of all first section issues shed 5.48 to 1,569.43, but in London the ISE/Nikkei 50 index improved 6.25 to 1,214.26.

The Nikkei average gained momentum in the morning on hopes that the Big Four brokerages – Nomura, Daiwa, Nikko and Yamaichi – would announce a support plan for the market.

However, a fall in futures prices triggered arbitrage-related unwinding, and disappointment that no concrete measures were announced by the brokerages sent the index lower.

Comments by Mr Tsutomu Hata, the finance minister, disconcerted some market participants. While Mr Hata expressed concern over the sluggish state of the stock market, he pointed out that the Japanese economy had underlying strength, and added that if economic fundamentals were assessed correctly, stock prices should go up.

Mr Takatoshi Okuyama at Daiwa Securities said the market lacked energy, and would move sideways in the near term. "The index could briefly fall below 20,000," he added.

Some high-technology issues rose on bargain hunting by foreign investors. Hitachi put on Y16 to Y920 and Toshiba Y16 to Y640. Foreign investors were sellers of Mitsubishi Estate, which weakened Y60 to Y1,160.

Mitsubishi Heavy Industries fell Y14 to Y640 on small-lot selling. Projections of favourable earnings for the current year had prompted buying late last year, and foreigners were seen supporting the issue yesterday. But domestic investors, discouraged by the recent decline in the share price, were seen liquidating their holdings.

In Osaka, the OSE average ended 78.93 down at 22,194.93 in volume of 130.6m shares. Selling by individuals to meet margin calls depressed the index. Business centred on large-lot cross trading by financial institutions. Osaka Gas, the most active issue of the day, dipped Y10 to Y539.

Roundup

TOKYO'S weakness continued to weigh on markets in the Pacific Rim.

AUSTRALIA fell 1.3 per cent on comments by Mr Paul Keating, the country's treasurer, that there would be no further easing of interest rates for the moment. The All Ordinaries index finished 21.9 lower at 1,646.6. Turnover increased to A\$243m from A\$183m.

Leading shares were worst hit, with market leader BHP receding 20 cents to A\$13.88. CRA lost 12 cents to A\$12.78. Adelaide Brighton relieved the gloomy picture, rising 9 cents to A\$1.90 amid rumours that Pioneer International will launch a takeover bid. Pioneer was down 4 cents at A\$3.08.

NEW ZEALAND followed Australia lower. Weakness in Fletcher Challenge, which closed 8 cents down at NZ\$3.43 on volume of 1.4m shares, weighed on the market. The NZSE-40 index slipped 10.61 to 1,484.43 in turnover of NZ\$23.5m, against NZ\$13.9m on Monday.

Robt Jones Investments was the most heavily traded issue with 3.7m shares changing hands amid continued heavy selling from Wellington broker Doyle Paterson Brown. The stock, however, ended steady at 30 cents.

MANILA finished mixed in moderate trading. The composite index eased 2.0 to 1,301.0 as turnover rose to 163m pesos from 140m.

Philippine Long Distance Telephone fell 25 pesos to 975 pesos, following its overnight decline in New York of \$1.12 to \$37.5. Meralco "B" advanced 12 pesos to 160 pesos.

BANGKOK lost ground as investors began taking profits, boosting turnover to a record. The SET index ended 3.81 off at 776.01 in turnover of Bt12.5bn, breaking last Friday's record of Bt12.34bn.

SINGAPORE turned higher as dealers reported institutional interest coming from the UK through Hong Kong, and some from Japan. The Straits Times Industrial index added 10.46 at 1,535.85 but turnover eased to S\$164m from S\$177.3m.

KUALA LUMPUR was in easier vein as profit-taking set in after the recent series of gains. The composite index slipped back 1.66 to 570.87.

Gaming and resorts issues strengthened after company officials denied reports of an increase in the gaming tax. Resorts World rose 25 cents to M\$10.10 while Genting gained 40 cents to M\$12.10.

SEOUL's composite index weakened 3.87 to 630.00. Turnover was active at Won416.4bn, up from Won397.7bn.

The decline was mainly due to a fall in financial and large manufacturing shares, which represent the heaviest portion of the index.

TAIWAN continued to rise, the weighted index adding 32.71 at 5,135.35 in turnover of T\$62.84bn, after T\$53.36bn, the highest since May 1991.

BOMBAY registered an all-time high of 2,157.87 before retreating on heavy selling by state-owned investment institutions. The BSE index closed at 2,115.71, up a net 8.64.

KARACHI fell for the fifth straight session because of political unrest in the southern province of Sind. The 100-share index lost 47.94 to 1,572.80.

EUROPE

Continent gets support from firmer bond prices

FIRMER bond markets in the D-Mark bloc supported some bourses yesterday, *writes Our Markets Staff*.

FRANKFURT hit profit-taking as the DAX index tested 1,700. It reached an intraday high of 1,698.14 but closed more soberly at 1,685.29, up 8.12 after a gain of 10.14 to 687.20 for the FAZ at midsession.

Volume climbed from DM6.5bn to DM9.5bn. In the early going the stock market was supported by firmer prices in the German bond market, where the Bundesbank's average bond yield dropped another 8 basis points to 8.03 per cent. Banks saw the benefit, Commerzbank rising DM3.50 to DM261 and Dresdner by DM5.50 to DM354.

There was no outcome, during the session or in the post-bourse, to the pay talks between the steel industry and its employees. The sector weakened after its recent gains, Klöckner-Werke dropping DM3 to DM116; other sectors on the move included retailers on the downgrade, and constructions improving with Bilfinger & Berger DM20 higher at DM970.

PARIS came off the day's high but still closed firmer as dealers started to square positions ahead of the liquidation of the January account tomorrow. The CAC 40 index went as high as 1,878.27 before closing at 1,867.91, up 2.06, in turnover estimated between FFr2.6-2.7bn after Monday's FFr2.7bn.

BSN dropped FFr45 or 3.9 per cent to FFr1,109 with 229,960 shares traded, as the market took the view that a bid from the Agnelli family was unlikely before the Cob made a decision on the recent sale of Perrier treasury stock to Saint Louis, an Agnelli ally.

Thomson-CSF lost FFr6 or 3.8 per cent to FFr150.50 with 223,100 shares traded on reports that the government was considering merging the company with Aérospatiale, the state-owned aircraft group. Analysts said the Airbus crash on Monday night also weighed on Thomson, which is partially responsible for the avionics in the aircraft.

FT-SE Eurotrack 100 - Jan 21							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1143.13	1142.38	1142.50	1141.06	1139.95	1138.17	1137.08	1136.99
Day's High 1143.13				Day's Low 1135.40			

Jan 20	Jan 17	Jan 16	Jan 15	Jan 14
1135.91	1135.24	1131.02	1140.52	1112.87

Base value 1000 (26/10/90).

MILAN fell for the second day as investors started an uneasy vigil for Fiat's 1991 operating profit details. The letter to shareholders had been expected today, but analysts said its release had been delayed until January 28. The Comit index, which failed to break through 550 during the recent rally, lost 6.29 to 539.96 in provisional turnover of L120bn after Monday's L103.5bn.

Among industrials, Fiat fell L164 to L5,175 and lost another L15 in after-hours trading. Pirelli dropped L42 or 3.4 per cent to L1,180 following Monday's marathon extraordinary meeting during which shareholders accused the management of mismanagement and withholding information in a failed bid for Germany's Continental. However, the L518.6bn capital increase was approved.

ZURICH mirrored Frankfurt with a firmer bond market. The all-share SPI index added 5.1 to 1,110.4 after peaking earlier at 1,113.6.

Saurer, the textile machinery and metallurgy group, climbed SFr200 to SFr1,850 ahead of a press conference tomorrow. EMS-Chemie bearers added SFr80 to SFr5,050 after the company said that it planned to split its registered and bearer shares to reduce the weight of the share prices.

AMSTERDAM, inspired by a firm bond market and new year investment from abroad, closed almost one per cent firmer. The CBS Tendency Index closed up 1.3 at 121.1. Philips, the electronics group, was 70 cents firmer at Fl 32.90 while the food group CSM was also in demand, rising 50 cents to Fl 89.00.

MADRID ended flat in moderate trading, despite a strong opening, with the general index down 0.02 at 252.62. Turnover rose to Pta18.5bn from Pta15bn. Repsol closed Pta30 higher at Pta2,825 with a large block order boosting volume. Some utility issues showed strong gains: Catalana de Gas put on Pta110 to Pta5,970 while Fecsa advanced *Pta9 to Pta713. Insurers Mapfre* lost Pta85 to Pta4,805, and Union Fenix fell Pta95 to Pta4,555.

STOCKHOLM fell in active trade as an overnight decline on Wall Street triggered profit-taking after four days of gains. The Affärsvärlden General Index closed down 11.0 at 978.2. Volume remained heavy at SKr498m. The insurance sector fell 2.2 per cent and forestry, a strong performer in the past three sessions, slipped 2.0 per cent.

OSLO lost 1.4 per cent on profit-taking, the all-share index closing 6.50 lower at 454.17 in active turnover of NKr341m. Oils and oils-associated stocks went both ways, as Norsk Hydro fell NKr3 to NKr158 while Saga Petroleum free shares ended NKr3 higher at NKr99.

BRUSSELS focused on Gechem and firm Acec-UM as it closed 1.7 per cent higher on the first day of the new forward account. The Bel-20 index closed up 19.88 at 1,181.69 in high turnover of BFr1.22bn.

SOUTH AFRICA

JOHANNESBURG gold shares ended firmer but off the day's best levels. The all-gold index rose 15 to 1,327, down from a high of 1,337, while the industrial index index eased to 19 to 4,512. The all-share index eased 2 to 3,699.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 20 1992								FRIDAY JANUARY 17 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	150.02	+0.9	124.18	117.25	124.56	132.68	−0.4	4.17	148.63	124.04	119.74	124.18	133.26	160.31	112.74	118.70
Austria (20)	167.29	+1.6	138.48	130.76	138.90	138.79	−0.5	2.08	164.69	137.44	132.68	137.59	139.45	222.37	153.86	183.28
Belgium (47)	141.27	−0.5	116.94	110.41	117.29	114.44	−1.7	5.18	141.92	118.44	114.33	118.57	116.37	151.20	118.04	131.70
Canada (115)	142.09	+0.0	117.62	111.05	117.96	118.37	−0.2	3.11	142.12	118.60	114.49	118.73	118.60	144.28	126.49	127.70
Denmark (37)	265.63	+0.5	219.89	207.62	220.55	223.18	−0.1	1.60	264.40	220.66	213.02	220.90	223.32	273.94	217.74	238.95
Finland (15)	88.08	+1.7	72.91	68.84	73.13	80.01	−0.5	3.05	86.61	72.28	69.78	72.36	80.44	125.15	73.32	95.36
France (109)	150.80	+0.7	124.83	117.86	125.19	128.80	+0.1	3.44	149.69	124.92	120.59	125.05	128.62	152.33	119.11	133.04
Germany (65)	118.00	+0.2	97.68	92.25	97.97	97.97	−0.4	2.35	117.76	98.28	94.88	98.38	98.38	125.35	94.15	110.57
Hong Kong (55)	185.98	+1.1	153.96	145.37	154.42	185.30	+1.1	4.02	183.93	153.50	148.18	153.67	183.32	185.98	119.62	123.59
Ireland (18)	171.94	−0.2	142.33	134.39	142.76	145.25	−0.6	3.45	172.29	143.78	138.80	143.94	146.11	182.46	132.88	142.74
Italy (77)	78.64	+0.4	65.10	61.46	65.29	70.64	−0.3	3.26	78.31	65.36	63.09	65.43	70.83	88.23	64.76	77.16
Japan (474)	125.82	+1.5	104.15	98.34	104.48	98.34	−1.5	0.86	123.95	103.45	99.86	103.57	99.86	146.97	118.23	127.33
Malaysia (68)	221.89	+0.6	183.68	173.42	184.22	230.05	+0.0	2.85	220.64	184.14	177.75	184.34	229.95	247.78	189.18	198.47
Mexico (18)	1515.97	+0.6	1254.92	1184.90	1258.68	5077.71	+0.6	1.03	1506.53	1257.28	1213.71	1258.67	5045.24	1515.97	534.45	565.84
Netherland (31)	153.44	+0.7	127.01	119.93	127.40	125.96	+0.1	4.29	152.35	127.14	122.74	127.29	125.89	155.45	125.70	131.89
New Zealand (14)	46.63	−0.2	38.60	36.45	38.71	45.54	−0.8	6.03	46.72	38.99	37.64	39.03	45.92	54.64	41.18	43.80
Norway (25)	192.20	−0.4	159.10	150.22	159.58	163.24	−0.9	1.59	192.95	161.03	155.45	161.21	164.73	223.24	157.06	185.64
Singapore (38)	227.10	+1.2	188.00	177.51	188.56	170.90	+0.1	2.04	224.35	187.23	180.74	187.44	170.69	227.10	151.63	160.11
South Africa (61)	263.36	+1.1	218.01	205.84	218.66	186.60	+0.1	2.66	260.62	217.50	209.96	217.74	186.49	271.99	173.00	173.00
Spain (52)	154.52	+0.2	127.92	120.78	128.30	118.23	−0.4	4.68	154.15	128.65	124.20	128.79	118.71	171.12	131.51	142.04
Sweden (25)	187.90	+1.4	155.54	146.87	156.01	160.71	+0.5	2.78	185.22	154.58	149.23	154.75	159.86	204.12	146.60	162.21
Switzerland (59)	101.52	+0.8	84.04	79.35	84.30	88.96	+0.2	2.26	100.69	84.03	81.12	84.13	88.80	103.50	82.17	87.30
United Kingdom (234)	181.63	+1.1	150.52	142.11	150.96	150.52	+0.3	4.95	179.86	150.10	144.89	150.25	150.10	187.44	156.27	162.34
USA (523)	169.69	−0.6	140.47	132.63	140.89	169.69	−0.5	2.87	170.76	142.51	137.58	142.68	170.76	171.65	125.95	133.96
Europe (814)	147.15	+0.7	121.81	115.01	122.16	122.56	+0.0	3.93	146.06	121.90	117.57	122.04	122.57	151.52	125.50	132.87
Nordic (102)	188.06	+0.8	155.66	146.99	156.14	159.80	+0.1	2.10	186.60	155.73	150.34	155.90	153.77	200.81	156.55	166.16
Pacific Basin (718)	128.36	+1.4	106.26	100.33	106.58	101.92	−1.3	1.19	126.54	105.60	101.96	105.72	103.29	145.92	117.86	126.53
Euro−Pacific (1532)	136.17	+1.1	112.72	106.42	113.05	110.85	−0.8	2.37	134.63	112.36	108.46	112.46	111.70	147.66	121.29	129.45
North America (638)	167.91	−0.6	139.00	131.26	139.44	166.20	−0.6	2.68	168.93	140.98	136.11	141.18	167.22	169.69	125.91	133.49
Europe Ex. UK (580)	126.10	+0.5	104.39	98.58	104.72	106.37	−0.2	3.19	125.49	104.73	101.12	104.87	106.57	129.80	103.58	114.76
Pacific Ex. Japan (244)	153.49	+0.9	127.06	119.99	127.45	138.07	+0.2	3.85	152.07	126.91	122.53	127.07	137.82	153.49	110.40	116.47
World Ex. US (1726)	138.62	+1.1	114.75	108.36	115.10	113.14	−0.7	2.39	137.12	114.43	110.48	114.58	113.94	148.16	122.32	130.07
World Ex. UK (2015)	144.84	+0.3	119.89	113.21	120.27	128.53	−0.8	2.30	144.34	120.46	116.29	120.61	129.55	150.58	120.06	127.26
World Ex. So. Af. (2188)	147.29	+0.4	121.93	115.13	122.30	130.11	−0.7	2.57	146.69	122.42	118.19	122.58	131.01	153.05	122.92	130.12
World Ex. Japan (1775)	161.20	+0.0	133.44	126.01	133.86	149.03	−0.3	3.28	161.23	134.55	129.90	134.72	149.53	161.90	126.69	133.25
The World Index (2249)	148.05	+0.4	122.56	115.73	122.94	130.62	−0.7	2.58	147.44	123.05	118.79	123.19	131.51	153.70	123.28	130.37

Latest prices were unavailable for this edition.